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WEEKEND FT

WORLD NEWS

Martial law declared in Haiti

Haitian President Jean-Claude Duvalier appeared last night to be still in control of the Caribbean republic after declaring martial law in the face of anti-government protests. He was believed to be in his palace in the capital, Port-au-Prince.

The US State Department withdrew earlier statements that the Government had collapsed and President Duvalier had fled the country. The White House said the situation remained unclear. Page 2

PM appoints Clark

Mrs Thatcher surprised colleagues by naming Alan Clark, who has been a controversial Under-Secretary of Employment, as Trade Minister in succession to Paul Channon. Back Page

Sir Keith Joseph, Education Secretary, is likely to relinquish his Leeds North East seat at the next general election after nearly 30 years as an MP Page 4

Spanish to vote on Nato

Spain's Socialist Government called a referendum for March 12 over whether the country should remain a member of Nato. Back Page

Aer Lingus plane crash

An Aer Lingus light aircraft, believed to have 23 on board, crashed last night near the East Midlands airport, Castle Donington. No deaths were reported.

Funds plan for Uganda

Western governments are expected to commit millions of dollars in aid to Uganda under the leadership of Yoweri Museveni who was sworn in as head of state on Wednesday. Page 3

US 'likely to aid Ulster'

US ambassador to Ireland, Margaret Heckler, said she was confident Congress would approve aid to back the Anglo-Irish agreement on Ulster despite Washington budgetary constraints. Page 2

Belfast killing

A gunman killed Martin Quinn, 31, in bed at his home in Bawnmore Park, Belfast. Neighbours in the mainly Catholic area claimed the killing was sectarian.

IRA prisoner marries

Thomas Quigley, 30, jailed in 1981 for at least 35 years for his part in an IRA bombing campaign in London, was married in Albany Prison, Isle of Wight to a woman thought to be from Belfast.

S. Korean kidnapped

A South Korean diplomat was kidnapped by gunmen on his way to work in Moslem-held West Beirut, bringing the total of foreigners held by kidnappers in Lebanon to 14.

Caroline all at sea

Pirate radio ship Radio Caroline broke its North Sea anchor in gale force winds and drifted towards UK territorial waters where it could have been arrested. Sheerness and Clacton lifeboats helped it restore power.

Sikh not to appeal

Satwant Singh, the Sikh bodyguard condemned to death for murdering Indira Gandhi, does not want to appeal against his sentence, his lawyer said. Two co-defendants plan to appeal against their death sentences.

Arthur Sandles

A thanksgiving service for Arthur Sandles, Leisure Editor of the Financial Times, will be held at St Bride's Church, Fleet Street at noon on Monday, February 10.

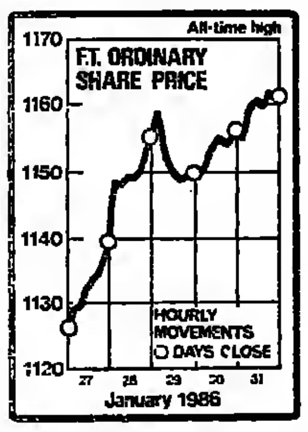
BUSINESS SUMMARY

Systime and DEC settle £5m suit

SYSTIME, once a high flyer among British mini-computer companies, has sold a substantial part of its business to Digital Equipment (DEC) of the US in settlement of a £5m suit for alleged illegal copying of computer equipment.

The Leeds-based group, formerly the UK's second largest computer group with annual sales of £56m and more than 1,100 staff, will be reduced to an annual turnover of £12m-£15m and fewer than 400 employees.

LEADING STOCKS continued to soar to record levels with a change of sentiment over interest rates and a steadier trend in North Sea oil prices continuing to push up the market. Equity market interest has recently switched from blue chip issues to a wide range of speculative situations. However, the FT Ordinary share index closed for the second consecutive session at a best level ever of 1,161.0.



STOCK EXCHANGE has ruled that US helicopter maker Sikorsky, which is seeking to rescue Westland, cannot raise its stake in the UK company beyond the present 9.9 per cent in an attempt to secure a simple majority of votes at a shareholders' meeting on February 12. Back Page

JAPANESE Prime Minister Yasuhiro Nakasone hinted that Japan might need to reduce its discount rate again to promote domestic demand and cut external surpluses. Page 2

PANAVIA officials heading the consortium that makes the Tornado strike aircraft are due in Turkey on Monday for negotiations on a possible order for 40 aircraft worth DM 4bn (£1.7bn) for the Turkish Air Force. Back Page

G. D. SEARLE AND CO has withdrawn two types of contraceptive device with annual US sales of about $11m (£7.8m) from the US market because of costly litigation. The devices have been the target of 775 lawsuits since 1974.

ALEXANDERS DISCOUNT chief executive Michael Todhunter resigned after a disagreement over policy at the leading City discount house. Back Page

SANKO STEAMSHIP, world's largest tanker operator, which failed last August with debts of Y520bn, should start taking steps for a financial reconstruction, a Tokyo court has ruled. Page 11

BMW, West German car maker, is going ahead with a "technical offensive" to bolster its strength in the next few years. Page 11

ARGYLL GROUP chairman James Gulliver said that 1,000 jobs could be at risk if the agreed takeover of Distillers, the drinks group, by Guinness goes ahead. Page 10

WAGES BILL, which aims to abolish the wages council, repeal the Truck Acts and abolish payment of redundancy rebate to companies with 10 or more employees was published by the Government. Page 6

MARKETS

DOLLAR

New York lunchtime:
DM 2.3905
FFr 7.3240
SFr 2.0270
Y192.40

London:
DM 2.3500 (2.3790)
FFr 7.3125 (7.2925)
SFr 2.0270 (2.0200)
Y192.75 (193.0)

Dollar index 123.4 (123.1)
Tokyo close Y192.65

US LUNCHTIME RATES

Fed Funds 8%
3-month Treasury Bills: yield: 7.17%
Long Bond: 105 3/4
yield: 9.32%

GOLD

New York: Comex Feb latest $350.5
London: $349.625 ($357.75)

STERLING

New York luochtime $1.4120
London, $1.4130 (1.410)
DM 3.3750 (3.3550)
FFr 10.3325 (10.2825)
SFr 2.8650 (2.8475)
Y272.50 (272.25)
Sterling index 74.6 (74.4)

LONDON MONEY

3-month interbank: closing rate 12 7/8% (12 1/8)
3-month eligible bills: buying rate 12 19/64% (same)

STOCK INDICES

FT Ord 1,161.0 (+4.6)
FT-A All Share 696.41 (+0.4%)
FT-SE 100 1,435.0 (+5.9)
FT-A long gilt yield index: High coupon 10.67 (no change)
New York luochtime: DJ Ind Av 1,570.41 (+18.23)
Tokyo: Nikkei 13,024.30 (+75.26)

Chief price changes yesterday Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium BFr 45; Denmark DKr 9; France Fr 6.00; W Germany DM 2.20; Ireland 60p; Italy L1,500; Malta 30c; Netherlands Fl 2.75; Norway NKr 7.00; Portugal Esc 85; Spain Pta 125; Sweden

Reagan comforts US in tearful Challenger service

PRESIDENT Ronald Reagan is always at his best in the role of the nation's comforter —and so it was yesterday, writes Reginald Dale

At a simple, open-air memorial service in Houston, a drawn but dignified Mr Reagan tried to reconcile Americans to the loss of the crew of the space shuttle Challenger —whom he described as "our seven star voyagers."

At midday in bright weather at the Johnson Space Centre, scene of many past celebrations of American space triumphs, Mr Reagan sought to draw the nation together. "Across Aemrica, we are reaching out, holding hands, finding comfort in one another,' hes aid, in a eulogy to the dead astronauts.

He and his wife Nancy went through the tearful routine which has been repated after a string of national losses in the past two years—most recently last month at a Kentucky ceremony honouring the 248 airborne soldiers who died in the Gander, Newfoundland, air crash.

With a light breeze rustling his increasingly grey hir, Mr Reagan passed among families of the shuttle crew, shaking hands with the men, embracing the women and kissing children.

Yesterday, however, the emotion was even more intense. Most Americans felt they had lost a personal friend in Mrs Christa McAuliffe, the 37-year-old aboard the Challenger, when Mr Reagan described as "a teacher, not just to her students, but to an entire people." Yesterday was the day she had planned to broadcast a lesson from space to hundreds of thousands of the country's school children.

In contrast to the largely unknown soldiers honoured in Kentucky, the shuttle crew represented a microcosm of multi-racial American society, including two women—one Jewish—a black and a Japanese American. Overnight, vast quantities of flowers arrived at the space centre, including many single, anonymous roses.

On these occasions, Mr Reagan is well served by his gift, refined in Hollywood, for communicating emotion. The obvious sincerity of his feel-

Continued on Back Page

US shuttle programme, Page 8
Shuttle debris, Back Page

Botha reforms offer blacks advisory role

BY ANTHONY ROBINSON IN CAPE TOWN

PRESIDENT P. W. Botha yesterday sought to regain the political initiative at home and the confidence of bankers abroad with a programme of social, economic and political reforms for South Africa to be enacted in the coming months.

Declaring that South Africa had "outgrown the outdated concept of apartheid," Mr Botha offered blacks an advisory role in the legislative process through a new "national statutory council" to be chaired by himself.

He also promised to abolish "influx control" curbs on the movements of blacks and to create "a new framework for equal opportunities" in education, business and other areas.

He also offered to release Mr Nelson Mandela, jailed African National Congress leader, in exchange for two Soviet dissidents, Dr Andrei Sakharov and Mr Anatoly Scharansky, and a South African army officer, Captain Wynand du Toit, captured during an abortive commando raid on Angolan oil installations in Cabinda last May.

Mr Botha followed his speech with an unprecedented appearance last night on the special state-run television networks aimed at black viewers. He said: "My government wants to hear your views. It wants to speak with you and your leaders in a spirit of co-operation and dedication to the future of our country."

Initial reaction from leading bank creditors on both sides of the Atlantic was that the reforms proposed by Mr Botha were insufficient for them to drop their opposition to a full-scale rescheduling of the country's foreign debt.

They said the reforms would be unlikely to satisfy pressure groups, particularly in the US, which had caused banks to start withdrawing short-term credit last year, provoking the imposition of a moratorium on short-term debt repaymeots in August.

However, the speech contained nothing new to stand in the way of their considering an informal short-term restructuring of debt caught up in the moratorium, they added.

First reactions to the speech from South Africa's business and white reformist leaders were guardedly positive. Dr Jan Steyn, a former Supreme Court judge and chariman of the business-backed Urban Foundation, said the speech "created a philosophical framework in which enlightened South Africans could feel comfortable. But everything now depends on the speed of implementation aod the detailed content of the legislation announced thus far only in outline."

Mr Alfred Nzo, genral secretary of the ANC, said in Lusaka, Zambia, that the proposed exchange of Mr Mandela was "irrelevant." Dr Beyers Naude, secretary-general of the South African Council of Churches, said Mr Botha had "lost his last chance to create a new future for the whole of South Africa."

In contrast to the panic reaction and sharp fall in the rand which followed Mr Botha's speech on August 15—his first attempt to promise reform—the rand closed unchanged at 43.80

Continued on Back Page

Details, Page 2; EEC and black leaders, Page 2; Johannesburg stocks, Weekend III

News trade loss worries BR

BY DAVID BRINDLE AND HELEN HAGUE

BRITISH RAIL warned yesterday it would review its newspaper distribution business if it failed to win back the custom of Mr Rupert Murdoch's News International, worth about one-third of BR's £30m annual newspaper service income.

The warning came after News International claimed full pdint runs of The Times and the Sun on Thursday night for the first time since the company moved production to its plant at Wapping, east London, and said distribution by road was continueg to improve daily.

However, Sogat '82, the print union, yesterday launched a drive to persuade its members in wholesale distribution in the provinces to refuse to handle News International newspapers.

Ms Brenda Dean, the union's general secretary, told a meeting of members in Manchester: "If you walk away from your colleagues in London and their families, you don't deserve to be called trade unionists."

At the same time, the National Union of Journalists became more deeply embroiled in the Wapping dispute when its national executive committee declared an official dispute with News International over the dismissal of four Sun journalists who refused to transfer to the new plant.

The alert over BR's newspaper distribution business follows the switch from rail to road of News International titles in response to Sogat action in London. This has coincided with negotiations between BR and the company on the renewal of its contract, worth about £10m a year.

Mr Murdoch, interviewed on BBC Radio 4 yesterday, indicated that News International business would stay with road hauliers "so long as wholesalers can maintain this service to us" because Sogat's attitute made a return to rail look impossible.

BR, which employs about 500 directly and a further 500 in part on newspaper distribution, said loss of the News International contract "would make the business of carryiog newspapers uoprofitable at present prices."

Ms Dean, meanwhile, criticised the union's members in Manchester for continuing to handle the "blacked" News International titles. "If you don't support your own kind, no one will support you when you need it," she said.

Her ratlying call was in defiance of an injunction against Sogat's blacking campaign, issued in the High Court in London last Monday and matched in Scotland yesterday by the award in the Court of Session by Lord Sutherland of an interim interdict.

Mandatory chapel (office branch) meetings of NUJ members working at Wapping will be held next week, off the premises. The union is to instruct its members not to cross NUJ picket lines which will be placed outside the plant in support of the dismissed Sun journalists. However, a move to instruct all News International NUJ members to strike was lost 9—10 at the executive meetiog.

Getting off the hook over Wapping, Page 6; Man in the News—Eric Hammond, Page 8

Extel rejects Demerger bid

BY CHARLES BATCHELOR

EXTEL GROUP, the business and sporting information company, rejected yesterday an audacious £173m takeover bid from Demerger Corporation, a newly-created company whose backers are not well known in the City.

If its bid succeeds, Demerger intends to break up Extel into five companies. It would manage and take a 15 per cent stake in the core financial and business information activities.

The printing, advertising and public relations, publishing and computer systems operations would be hived off as independent companies.

Mr Alan Brooker, Extel chairman said: "It is difficult to take this bid seriously." Mr Peter St George, of Extel's merchant bankers, Hill Samuel, described the bid as "a pack of cards."

Mr Peter Earl, the corporate finance specialist in the Demerger team, said a break-up of Extel would allow its financial and sporting information activities to obtain a higher rating in the City.

The company could devote more management time and money to developing its business in the increasingly competitive market for computerised information.

Mr Earl, 31, set up his own corporate finance firm, Ifincorp, Earl last May with Middle East backing after a career in merchant banking.

His fellow directors in Demerger include Mr Michael Rhode, the chairman, who is joint founder of a computer software firm, Skynet, and chairman of Finlan Group, the construction and property company.

Mr Colin Moynihan, Conservative MP for Lewisham East, and Mr James Adams, assistant editor of The Sunday Times, are non-executive directors.

Mr Earl said the Demerger plan would allow Extel shareholders to retain most of their holding in Extel, in contrast to a bid backed by institutions or a straightforward takeover bid.

For every 25p Extel share Demerger offers two 10p shares in New Demerger Corporation, which would own Extel's information busioess, one 1p share in each of four new companies to take over Extel's other businesses, and 205p norminal of 7 per cent unsecured New Demerger loan stock.

Demerger plans ultimately to float off the four non-core businesses on the Stock Exchange.

The offer values Extel's information business at £88m, the other businesses at £85m and the entire company at 409p a share.

Extel's shares rose 15p to 395p yesterday. They have been buoyed by takeover speculation in recent months, most of which has centred on Dr Ashraf Marwan, son-in-law of the late President Nasser of Egypt. Dr Marwan has build up a holding of 10.9 per ceot in Extel.

Demerger said it had not been in contact with Dr Marwan before it launched its bid. It owns 1.01 per ceot of Extel.

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Lex, Back Page

Tin traders face solvency pledges

BY STEFAN WAGSTYL

TRADERS on the London Metal Exchange, battling to cope with the three-month-old tin crisis, have been asked to confirm that they are still solvent.

Mr Jacques Lion, board chairman of the LME, the leading metals market, has asked the 26 ring-dealing members to assess the tin market and declare, by Wednesday, whether they can meet their commitments.

Mr Lion issued his request yesterday as the long-awaited negotiations between the International Tin Council, its creditor banks and metal brokers at last got under way, and as the exchange's authorities extended the suspension of tin trading for another week to allow more time for the talks.

The tin market has been suspended since October 24, when the council, which administered an inter-government price support pact, ran out of money.

Thirteen LME brokers face losses on tin council contracts worth about £550m. The size of their loss will depend on how far tin prices fall below the suspension price — £8,140 a tonne—when the market reopens.

At £5,500 a tonne, the brokers could lose more than £200m, or an average of more than £15m each. This compares with an average net worth of less than £10m each for exchange companies, according to brokers' calculations.

Brokers said some companies have calculaled that they will be solvent, even if they pay for their tin purchases in full and value their tin holdings at nil.

Uncertaioty surrounds other trading companies, however. Most traders are limited liability subsidiaries of large financial, mining and metals groups. There are doubts as to whether all parents will stand by their LME companies. So far, one exchange trader, MMC Metals, has gone into liquidation during the crisis.

A deal will not come quickly. After the opening round yesterday, talks between tin council representatives and creditor brokers and banks have been adjourned until Wednesdsy. This will allow delegates from the council's 22 member governments to consult officials at home.

Even so, Mr Mike Metcalfe, a director of Holco Trading, who attended the talks, said he was glad that negotiations had at least s
started at least. A council official said the tadks were amicable.

Discussions focus on a broker-banker rescue plan, which involves setting up a company to take over the council's 85,000 ton stockpile and its £900m gross liabilities, and to sell the tin over three years.

The creditors are ready to put £70m capital into the new company and want £200m from governments. Most tine council members say £200m is too much but they have yet to make an agreed counter-proposal.

There are great differences within the council, among exporter governments (led by Malaysia, Indonesia and Thailand) and among importer governments, which include Japan and EEC members.

Many want to press the UK to contribute more to a rescue, in view of its special interest in the LME.

● Meanwhile, fresh signs have emerged of the damage the suspension of tin trading is causing the exchange as regards other metals, because clients are reluctant to deal with brokers which might collapse.

UK copper-fabricating companies, belonging to the British Non-Ferrous Metals Federation, are to meet on Thursday to debate whether they can continue to price their purchases on the LME. A meeting of the International Wrought Copper Council, made up of fabricators in the EEC and Japan, is understood to be planned for the week after.

The copper companies might decide to settle prices by direct negotiation with producers or go to the LME's rival, the Comex exchange in New York.

FILMS

Nigel Andrews, FT cinema critic, goes to Hollywood to find that show business has become slow business in the movie business.

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FINANCE

Four City experts set out a financial strategy for retirement.

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DIVERSIONS

City slickers, especially younger ones, find that sleek is chic in men's fashion in 1986. Lucia van der Post meets the Brylcreem boomerang as it returns.

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BOOKS

Is "Edmund Ironside" Shakespeare's lost play? And if Shakespeare didn't write it, who did? John Jones reviews a new volume of arguments.

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For London market and latest share index 01-246 8026; overseas markets 01-246 8086

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EEC proposes official links with Comecon

BY PAUL CHEESERIGHT IN BRUSSELS

SIGNS OF a further thaw in relations between eastern and western Europe emergad yaatarday with the disclosure that the European Community is prepared to negotiate with Comecon, the east hloc, on establishing official relations.

Mr Willy de Clarcq, tha Coomunity's external relations commissioncr, yesterday handed a letter to the Romanian ambassador in Brussels, specifying that the Community is ready to start talks that could lead to a joint declaration.

He was acting through the Romanian ambassador because Romania is the president of Comecon.

Last September, Mr Viatcheslaw Sytchov, the secretary of Comecon, proposed a joint declaration which would establish official relations with the Community "within their respective fields of competenca."

The Community is also sending letters to the seven European members of Comecon—the Soviet Unicn, East Germany, Poland, Czechoslovakia, Hungary, Romania and Bulgaria—proposing "a normalisation of relations." This means, in effect, that technical trade agreements with these countrics should be supplemanted by diplomatic relations.

The Community moves fit into the pattern of more relaxed east-west relations apparent in the Reagan-Gorbachev summit.

They follow an expression of interest in closer relations with tha Commonity expressed hy Comecon last June after a silence since 1981.

In the past, Comecon has sought trade agreements with tha Community hut haa always hcan rejectad because it has no common commercial policy. The Community has preferred relationa with individual countries in the bloc, boping that there would he some breaking of tha ranks.

Mr Sytchov's September letter, effectively limiting Comecon aims, recognised the diffarence hatween the Community and Comecon and effectively hroke this deadlock so that the Community is now ready, in Mr de Clerq's words, "to resume tha dialogue."

The Brussels view is that an improvament in economic and political relations can only take place on a glohal basis—the Community shares the Comecon desire to have official relations so it is now ready to talk.

At the sama time, tha Community is not prepared to drop its policy of strengthening relations with the Individual countries of eastern Europe. Apart from the political importance of any future relationsbip with the Comecon, tha practical areas of co-oparation would probahly be confined to areas like environmental protection, standards and the exchange of statistical information.

Commission looks to tourism for job creation

BY OUR BRUSSELS CORRESPONDENT

THE EUROPEAN Commission would like to set itself up as a tourist guldebook publisher, as well as standardising information provided to travellers about hotel categories.

These are two of a multitude of proposals published yesterday by the Commission for European Community action in the tourism sector, which accounts for around 4 per cent of Community gross domestic product and absorbs some 7 per cent of private consumer spending.

What attracts the Commission to tourism as an area for joint action is the potential for job creation at a time when other sectors are shedding labour. Direct employment in the industry is already put at 5m people throughout the Community.

The Commission has sought to develop what it calls an action programme for tourism in response to requests made by tbe Council of Ministers in 1984.

For a start it has tabled:

- A draft resolution committing the member states to seek more staggering of annual holidays.
- A draft recommendation to standardise information concerning hotels.
- A draft decision setting up a method for the member states to consult each other on tourism matters when action in one could have an effect on another.

Should these be adopted then a decision would bind the member states to the resolution and recommendation would be a commitment to making an effort.

Questions hang over US assets in Libya

By Terry Dodsworth in New York

THE FUTURE of an estimated $1bn (£708m) worth of assets owned hy US oil companies and engineering groups in Libya remained uncertain last night as tha Reagan Administration prepared to apply its order for an American wtihdrawal from the country.

Tha Government instruction to US corporations and private citizens, announced aarlier this month after terrorist attacks on Rome and Vienna airports, is due to come into effect today in retaliation for what the White House regards as Lihyan support for terrorism. Large numbers of the 1,500 or so US citizens working in Lihya have already left the conntry.

Most US companies involved In Libya have also suspended their activities sinca the order was made by President Reagan. But the Administration is still grappling with the problem of what to do with the assets of the US companics in order to prevent a windfall profit to the regime of Col Mnammer Gadaffi.

An official in Washington said yesterday that the Covernment was trying to prevent any benefit falling to the Lihyans from the substantial US capital that had been invested in the company. "This applies to oil concessions and income streams as well as directly owned assets," he said.

There have been suggestions in the US press that the Administration might allow the transfer of US assets, either to overseas subsidiaries or other companies, hut officials would give no detailed account of how tbe US Government would eventually resolve the issue. In the meantime, around five small businesses which have found themselves in particularly difficult situations have received temporary licences to continue their operations.

While about 50 US companies are believed to have been working in Libya when President Reagan announced his sanctions. By far the most significant are four oil companies — Occidental, Amerada Hess, Marathon, tbe US Steel subsidiary, and Conoco, owned hy Du Pont.

All of these groups, which are reckoned to account for about 75 per cent of the 1.1m barrels a day of oil produced in Libya, say they have now stopped lifting crude from the ports and have hrought home US personnel if they had any.

But the US companies, whose main activities are concentrated in Oasis Oil, a group in which the Libyan Government bas tbe majority stake of almost 60 per cent, conceded that the Lihyans could continue to pump oil without their belp. All of tbem had only a token number of US personnel directly employed in the Libyan business.

The other large US interest is in Libya's amhitious $20bn irrigation project, on which the main contractor is Brown & Root, the Texas construction company owned by Hallihurton. Brown & Root is reported to be handling the operation through its UK subsidiary, and it is not clear how that arrangement will be affected by the Administration order.

Reuter adds from Rome: Italy's state oil group (Ente Nazionale Idrocarburi ENI) said it was not taking crude oil from US companies in Libya.

Questioned about press reports saying US companies operating in Libya were "lending or selling" production to oil compaines of other nations, ENI said it was not involved in any such transactions.

Confusion reigns over 'collapse' of Duvalier regime

BY STEWART FLEMING IN WASHINGTON

CONFUSION reigned in Washington yasterday over events in Haiti in the wake of a atatement by Larry Speakes, tha White House spokesman, aaying that the Covernment of Haltian President for lifa Jean-Claude Duvalier had collapsed and that ha had fled the country.

Within honrs of tha White House statement made aboard the presidential jet Air Force Ona carrying Mr Reagan to Houston, it was contradicted hy news agency reports from Haiti itself. Thesa said that President Duvalier had gone on national radio to deny reports that he had fled.

"Since carly this morning there have been rumours that I left tha country...this is not true. I am strong and powerful as a monkey's tail" President Duvalier was reported as saying.

Mr Spaakas cited reports from the US embassy in Haiti as tha basis for his statement adding that US officials ware informed ahortly before 7.30 am yesterday that the Haitian Covernmant had collapsed. Mr Spaakes said tha US was monitoring the situation closely but that it did not know the whereabouts of President Duvalier or his cabinet.

Two hours latar, Mr Speakes added a more uncertain commant that the situation In Haiti was "not aa clear as we first thought it was."

Tha US interest in Haitian developments springs from tha country's important strategic position in the Caribbean and its common border with anotber close U.S. ally, the Dominican Republic.

Iodications of the collapse of tha Haitian Government coincidad with reports in Washington that tba US had dccided to cut back aid to tha poorest nation in the western hemisphera hecause of human rights ahuses.

The New York Times yesterday quoted US officials as saying the State Department would announce the decision formally in a few days. It said the Haitian Govarnmant had been informed that it would not recaive $7m of direct aid included in the total of $52m of support that bad been earmarked for 1986.

Since 1982 Congress has required tha State Department to certify that Haiti is making progress towards democracy and Improving ita human rights record as a condition for an uninterruptad aid flow. The newspaper quoted senior State Department officials as denying that they had mada "a conscious decision to push Duvalier out."

Robert Graham adds: The wave of popular protest in Haiti against President Duvalier appears to have acquired the same unstoppable momentum that brought to an end the other last dynasty in the region, the Somazas in Nicaragua.

Sectors of the population are helieved cloae to starvation and many food warehouses have heen ransacked. Unemployment of nearly 50 per cent has haan swelled by a decline in tourist earnings dne to scares of contracting the disease Aids.

The opposition until now has been united around tha need to get rid of their President for lifa and has not been ideological. The army has also appeared divided about precisely what role it should play. This may account for its desire to bove a provisional government that also includes civilians.

The US Covernment has been closely watching events. Haiti, which forms part of the island of Hispaniola with the Dominican Republic, controls the strategic Windward Passage overlooking Cuba.

Serious unrest in Haiti with its 5.5m population could spill over into the neighbouring Dominican Republic. The latter has cloaed ita horders against an influx of Haitian refugees and already has some 200,000 Haitiana. The Dominican Repuhlic is due to have presidential elections in May.

Nakasone hints at reduced discount rate

BY JUREK MARTIN IN TDYKD

Mr Yasuhiro Nakasone, the Japanese Prime Minister, hinted yesterday that Japan might need to reduce its discount rate again in order to promote domestic demand and cut the nation's external surpluses.

His comments, delivered in parliamentary dehate, Immediately prompted a mini-rally in the dollar on the Tokyo market. The US currency had fallen to under Y192, but closed Y192.05, still below Thursday's close of Y193.95.

But Mr Nakasone was immediately rebutted by a senior official at the Bank of Japan, who suggested that the Prime Minister might have been "misinterpreted" and added that another half point cut in the discount rate, trimmed from 5 to 4.5 per cent on Thursday, was not likely.

The latest Nakasone intervention, not tha first time in the last month that he has called for lower interest rates, was given added point yesterday hacause it coincided with the announcent that the Japanese current account and trada surpluses bad hit record highs both for calendar 1985 and for the month of December. The previous day the US Government had disclosed the magnitude of the deficit with Japan.

In December, the Japanese current account surplus reacbed $6.81bn (£4.86bn) and the trade surplus $7.05bn. This meant that, for the full year, the halance of payments was in surplus by $49.27bn and the merchandise account hy $56hn. In only one respect was Japan in financial deficit: the long term capital outflow for 1985 rose to a net $64.81bn.

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These compare with calendar 1984 returns of $35.02bn in current account surplus, $43.50bn in trade surplus and $49.83bn in long term capital outflow, whicb were themselves all previous records.

Exports in 1985 were up hy 3.4 per cent to $173.93bn, but imports fell hy 4.9 per cent to $117.93hn. In spite of the widely-reported problems that an appreclated yen has brought to Japanese companies, exports in December actually rose to an all-time monthly high of $17.74bn, compared with $15.74hn a year earlier and $15.32bn in Novemher last year.

The Covernment's official forecast forsees no early or radical change in tbe external poaition. In the next fiscal year, starting in April, it estimates a 6.5 per cent fall in exports and a 3.3 per cent decline in Imports, hut still leaving a currant account surplus of about $31bn and a trada surplus of about $56bn.

Mexico, Venezuela call Cartagena meeting

BY DAVID GARDNER IN CANCUN

MEXICO and Venezuela are to convene an urgent meeting of the Cartagena Group of Latin American debtors to discuss "the severe crisis" in the oil market and its effect on the ability of individual countries in the region to service their beavy foreign debts.

This was tbe main public outcome of the surprise meeting at this Mexican resort called by the presidents of the two oil exporting countries following the dramatic tumble in international crude prices of the last 10 days.

As a result of the sharp fall in spot oil prices Mexico bas twice postponed meetings in New York with its main foreign creditor banks at whicb tbe country's new finance needs for this year originally set at net new credit of $4.8bn (£3.4hn) were to have been discussed.

Mexico has a total foreign debt of $97bn and is dependent on oil for 70 per cent of its export carnings. While Venezuela, which owes over $35bn abroad in public and private debt earns 90 per cent of its foreign exchange from oil.

Tbe meeting here, which was called at less than a week's notice, lasted nearly 14 hours instead of a planned five. Though almost no detail has emerged, it is understood that what one Mexican official called "the bringing up to date" of the two countries' debt strategies dominated the closed talks. Tbe two delegations, led by a particularly drawn looking President Miguel de la Madrid for Mexico and President Jaime Lusinchi of Venezuela, were tight lipped and evasive about the real content of the talks.

The communique warns that the current chaos in the oil market is a serious tbreat to international financial stability and calls on all nations involved to sbow the same degree of responsibility as they themselves have done.

The two countries state that the oil revenoe shortfall is too great to be absorbed by domestic spending cuts, wblch "would lead to an unacceptable fall in the living standards of our people."

The Cartagena meeting has thus been called to start talks with creditor governments, banks and international financial Institutions to promote "effective measures of internation co-operation on oil, trade and credit flows."

EEC and black leaders to focus on Botha reforms

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE moves announced by President P. W. Botha of South Africa yesterday towards reforming the system of apartheid in South Africa will be the main focus of a two-day maeting of the Foreign Ministers of the European Community and six African Front Line states wbich opens in Lusaka on Monday.

President Botba's announcement to the South African Parliament that the much-hated influx control regulations for hlacks would be abolished and that some reforms would he introduced to give blacks a greater say in government are axpected to be considered hy all the African and aome of tha European participants as too little and too late.

The African Foreign Miniaters, representing Zambia, Zimbabwe, Tanzania, Botswana, Angola, and Mozambique, are likely to emphasise that anything less than a genuinely democratic regime In South Africa, involving tbe principle of one man one vote, regardless of colour, is unacceptable to tbem.

The European Community countries who, last year, adopted a limited package of sanctions against South Africa including a complete embargo on arms sales and other "sensitive" equipment and the withdrawal of their military attaches in Pretoria, may adopt a somewhat more ambiguous stance.

In London, at least, Mr Botha's speech ls considered to contain a number of "significant" proposals. There are also some important omissions.

In general, the European Ministers are expected to tell their African colleagues that they want to see how Mr Botha's words will be translated into action before giving a final verdict on his proposals

US will back Anglo-Irish aid package says Heckler

BY HUGH CARNEGY IN DUBLIN

THE NEW US ambassador to Ireland, Mrs Margaret Heckler, said yesterday she was confident Congress would agree a package of aid to back the Anglo-Irisb agreement on Northern Ireland in spite of severe budgetary constraints in Washington.

Addressing concerns in Dublin that the aid, pledgad by President Reagan after the signing of the accord last November, might he in aome jeopardy, Mrs Heckler acknowledged that the Gramm-Rudman legislation requiring across-the-board spending cuts to curb the budget deficit was a limiting factor on all outlays, both national and international.

She said she was nonetheless confident an Anglo-Irish aid package, which she said had yet to he finalised, would be approved.

Irish officials do seem to have lowered their expectations for the package, due to be channelled to areas hardest hit by the troubles, mainly in the North. A month ago they were talking privately in terms of $300m to $350m. But they now expect the figure will be closer to $250m. Mrs Heckler, whn has close family ties to Ireland, declined to give a figure.

The former Secretary of State for health and human services arrived in Dublin this month to take up ber post. Sbe originally said she did not want the job but lost her battle to stay in Mr Reagan's cahinet.

Sbe said much of her time would he devoted to encouraging more US companies to invest in Ireland. Sbe said she intended to visit Northern Ireland.

Norway offers five offshore licences

NORWAY yesterday offered operating shares in offshore petroleum licences to five oil companies under the second half of the conntry's tenth round, Fay Gjester writes from Oslo.

The offers concern nine blocks, under eight licences, and companies invited to be operators are Statoil, the state oil company (on three hlocks under licences). Norsk Hydro and Saga Petroleum also from Norway, and Mobil, Esso, Shell and Elf from abroad.

Applications were invited last August, for a total of 30 hlocks in the round, all of them located in the Nordland II area of the Norwegian shelf. This extends from the Halten Bank, of central Norway, to the Traena Bank, further north.

French reserves fall

France's official reserves fell at the end of last year by 10 per cent to FFr 412.9bn ($40hn), compared with FFr 457.7bn at the end of 1984 largely as a result of the decline in the values of the US dollar, gold and the Ecu against the franc as well as the early repayment of part of the country's foreign debt, Paul Betts writes from Paris.

Carrian trial delayed

A Hong Kong court adjourned for one year a bribery and fraud case involving former top executives of the collapsed Carrian property group, a court official said, Reuter reports from Hong Kong.

He said the court granted a defence request for the delay pending a decision on a separate charge of conspiracy to defraud against former Carrian chairman Mr George Tan and his depnty.

Honduran backtracks

Gen Walter Lopez Reyes, chief of the Honduran armed forces and one of the country's most powerful figures, has withdrawn his resignation less than 24 hours after he announced it, Our Foreign Staff writes.

Savimbi trip attacked

Southern Africa's black states yesterday sharply attacked the US over a visit by rebel Angolan leader Dr Jonas Savimbi, but toned down calls for sanctions against South Africa, Reuter reports from Harare.

Anthony Robinson reports from Cape Town on the South African President's policy speech

Botha pledges a 'framework for equal opportunities'

SOUTH AFRICA is "a symbol of the expansion of freedom, of the upholding of religion and free enterprise sustained by equal rights before an independent judiciary." President P. W. Botha said at the start of his keynote policy speech to the combined houses of the tri-cameral parliament.

"We have outgrown the outdated colonial system of paternalism as well as the outdated concept of apartheid."

South Africa was ha said "a powerful bastion against communist domination and enslavement . . . should this republic parish a one-party dictatorship will sever this artery and destroy these freedoms."

Despita thia South Africa was subjected to a greatly intansfied effort to isolata it "sustained by calculatad lies about South African realities."

He reaffirmed "our continued commitmant to paaceful international co-existance through co-operation and negotiation" but emphasised, "there can he no peaca and stability in our ragion as long as countries knowingly harbour terrorists who plan and executa acts of terror."

He proposed "a permanent joint mechanism for dealing with matters of security . . . on our sub-continent" hut warned, "should this offer be ignored or rejected we would take effective measures in self-defence."

On unrest within the country which has cost more than 1,000 lives over the past two years, Mr Botha aaid he was "greatly encouraged by the greater calm that is beginning to return."

But he warned of further efforts to create unrest in 1986 hy "leftist revolutionary elaments controlled from abroad."

He repeated "the governmant's commitmant to aqual provision of aducation for all population groups" and said "further announcements on the continued reform of our educational system can be expected ahortly."

In a hrief passage on the aconomy he refarred to good rains and an "excellant export performance" as part of "positive devalopments on the economic front." He mada no mention of the daht crisis but said: "Tha government continuaa to promote our status as an important and reliable trading partnar" and promised tha promotion of "hi-lateral and countar-trade transactions."

Mr Botha said the proposed lagislativa programme confirmed tha commitmant "to the creation of a framework for equal opportunities."

The main proposals are—

- Restoration of South African citizenship to independent homeland citizens.
- Extension of the powers of self-governing states.
- The involvement of black communities in decision-making.
- Black freehold property rights.
- A uniform identity document for all population groups
- Repeal of racially discrimatory immigration rules (aimed mainly at facilitating the entry of Indian brides).
- Restructuring of provincial government.
- Legislation for the "lifting, suspending or amending of unnecessary restrictions" on black enterprise.

"We have outgrown the outdated colonial system of paternalism as well as the outdated concept of apartheid," President Botha said. South Africa was "a powerful bastion against communist domination and enslavement . . . should this republic perish a one-party dictatorship will sever this artery and destroy these freedoms."

On the key issue of influx control Mr Botha promised "legislation to remove existing influx control measures. The present system is too coatly and obsolete." Instead "the government is in favour of measures to facilitata orderly urbanisation . . has noted the contents of the report of the president's council (last September) and . . . is preparing a White Paper setting out the government's reaction to it."

Mr Botha also announced the "highest priority" for formulation of a socio-economic development plan for the least developed areas . . and the tabling of white papers on the refining of South African minerals and energy policy this session.

In the local government sphare Mr Botha said "tha first regional services councils (wbich will link together black and white local authoritiaa for basic services) will be established in the near future."

In a sectioo called "Framework for the Future" Mr Botha enumarated a set of principles couched in coded language. Thus "we accept an undivided republic of South Africa . . . with the right to participate in institutions to be negotiated collectivaly . . . we accept one citizenship for all South Africans implying equal treatment and opportunitiea . . . all South Africans must be placed in a position where they can participate in government through their elected representatives." (Blacks are excluded from the tri-cameral parliament and Mr Botha earlier rejected a fourth chamber for blacks.)

In a key passage, interpreted hy legal sourcea as a commitment to end the practica of detention without trial and the erosion of judicial indapendence Mr Botha said "we believe in tha sovareignty of tha law as tha basis of tbe protection of the fundamental rights of individuals as wall as groups. Any future system must conform with the requirements of a civilised lagal ordar and must ensure access to the courts and equality before the law."

Latar Mr Botha repeated that ba was "willing to considar the restructuring and functions of tha President Council to maka provision for the participation by leaders of hlack communities" and announced ona naw initiativa. This is the establisbment through negotiation of "a national statutory council under my chairmanship consisting of representatives of tha South African government, the governments of the self-governing national states (the six non-independent homelands) as well as leaders of other black communities and interest groups."

"Pending the creation of constitutional structures jointly to be agreed upon for our multicultural society this council should consider and advise on matters of common concern, including proposed legislation on such matters."

In a last minute addition to his speech Mr Botha then mada his proposal for the release of jailed ANC leader Nelson Mandela in return for the release of Captain Wynand Du Toit, the South African soldier captured by Angolan forcea while attempting to sabotage the Cabinda oil installations last May, and Soviet dissidents Anatoli Scharanski and Dr Andrei Sakharov.

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Former S. Yemen premier accused of 'Mafia' killing

BY TONY WALKER IN ADEN

MR SALEM SALEH, one of South Yemen's few surviving Politburo members still in power, yesterday accused former President Ali Nasser Mohammad of a vicious "Mafia-style" assault against his party rivals.

"I have seen the film, The Godfather," said Mr Saleh, "so it is the Mafia way. Mafia means adopted by Ali Nasser."

In the first interviews with Western correspondents by Senior South Yemeni political figures since the bloody events of January 13, Mr Saleh and a surviving Politburo colleague gave graphic eyewitness accounts of a gangland-style slaying of political rivals of former President Mohammad.

Mr Saleh, who is emerging as perhaps the most powerful figure among surviving political leaders in South Yemen, described the events at a Politburo meeting on January 13 as "barbaric" and said the world would condemn such action when it knew the details.

Mr Ali Salim Al-Bydh, another surviving Politburo member who was wounded in the vicious fighting that followed the January 13 coup attempt, gave a personal account of the circumstances leading to what was virtually a civil war in South Yemen involving rival political factions in this pro-Soviet state.

Mr Al-Bydh, inteviewed in his heavily-guarded clifftop house overlooking the sea, said that on January 13 a detachment of President Mohammad's personal guard started shooting Politburo members gathering for a meeting.

Soon after 10 am the former President's personal bodyguard drew a machine pistol and shot in the back Mr Ali Antar, South Yemen's Vice President, killing him. Two other presidential guards opened fire on the remaining five Politburo members.

Also killed in the gunfire that raked those sitting at the conference table were Mr Ali Shyia Hadi, the party discipline chief, and Mr Salih Muslih Qassim, the Defence Minister.

Three other Politburo members, Mr Al-Bydh, Mr Salem Saleh and Mr Abdul Fattah Ismail, threw themselves to the floor. "They thought we were finished," said Mr Al-Bydh who later managed to reach a telephone and summon tanks to help free surviving Politburo members and their staff.

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When the tanks became involved, the battle between rival factions flared into a full-scale war in the streets of Aden, drawing in the army, navy and air force. The scale of destruction in less than a week of heavy fighting rivals some of the worst-devaatated areas of Beirut.

The smell of blood and rotting flesh in the Politburo meeting room in central committee headquarters, where the gangland-style slaying took place, is almost overpowering. Bodies of slain Politburo members were left there for days while the battle raged outside. Thick pools of blood are congealed on the carpets.

President Ali Nasser Mohammad was away from Aden on January 13, along with his supporters on the Politburo. But his staff maintained the illusion that he would be present by parking his car in its usual place at the entrance to the central committee headquarters, and by bringing his briefcase to his chair at the head of the table at which the Politburo members sat.

China opens more areas to foreigners

CHINA will open 137 more cities and counties for unrestricted travel by foreigners today, bringing the total number of open areas to 244, the Public Security Ministry said yesterday, Reuter reports from Peking.

The ministry said the new rules would allow foreigners with valid visas or residence certificates to travel without special permission in designated areas in every province and region.

China was effectively closed to tourists for 30 years until top leader Deng Xiaoping introduced an "open-door" policy in 1979. Since then tourism has expanded rapidly, with almost 1.4m foreign visitors last year.

Singapore deficit

SINGAPORE's 1985 trade deficit fell to S$7.6bn (£2.5bn) from S$9.8bn in 1984, Reuter reports from Singapore

Department of Statistics figures show that total 1985 imports declined to S$57.8bn from S$61.13bn in 1984 and exports to S$50.2bn from S$51.3bn.

The December deficit widened to S$931.5m from S$378.6m in November and S$490.6m in December 1984. Imports rose to S$4.6bn from S$4.5bn while exports fell to S$3.7bn from S$4.2bn.

Chris Sherwell reports on a campaign to denigrate the President's opponent

Marcos sours Aquino's sugar lands

SCORES OF bulging trucks offload sugar cane at the old mill. Swarthy growers till fields stretching across 6,000 hectares. It is harvest and planting time on Hacienda Luisita, two hours' drive north of Manila, which is owned by the family of Mrs Corazon Aquino, President Ferdinand Marcos' challenger for the Philippes' Presidency in next Friday's election.

But life is far from tranquil. This week, on nightly news bulletins from government-controlled television stations, disgruntled workers have told tales of woe about life on the plantation. In daily advertisements taken out by the ruling party in government-controlled newspapers, local officials have spoken darkly of oppression.

The tirade is part of an escalating campaign by President Marcos to denigrate Mrs Aquino, whose family, the Cojuangcos, have owned Hacienda Luisita since 1958. In the Marcos litany she is an "oligarch" who can't even secure the support of her own employees. His onslaught shows the seamier side of Philippines politics at election time, and illustrates how much he wants to demolish Mrs Aquino in her home area.

Tarlac Province is, above all, Aquino and Cojuangco country. Opposite the entrance to Hacienda Luisita is an army camp named after General Servillano Aquino who fought the Americans at the turn of the century. He was the land-owning grandfather of Mr Benigno Aquino, Mrs Aquino's assassinated husband and opposition leader. Mr Aquino's father, also named Benigno, became a powerful politician from the area, and Mr Aquino himself built up the plantation and cut his political teeth here.

Mrs Aquino is the daughter of the late Jose Cojuangco, known as "Don Pepe," who founded the company which bought Hacienda Luisita and the mill. But her cousin, Mr Eduardo Cojuangco, is Mr Marcos's most powerful business associate, dominating the country's coconut industry and much else besides—including Tarlac province.

Though blood runs thicker than water in the Philippines, the two sides of the family are irreconcilably split, and Mrs Aquino is likely to lose in Tarlac to Mr Cojuangco's powerful machine. Even so, the picture of Hacienda Luisita is not quite as the government-controlled media would paint it.

On the plantation itself, barely a poster can be seen promoting Mr Marcos's campaign. Practically all are for Mrs Aquino and her vice-presidential running mate, Mr Salvador Laurel. Plantation officials say only two of the 11 village units embraced by the plantation will back Mr Marcos, and suggest that the television and newspaper campaigns over Hacienda Luisita are contrived.

Aquino: not even her employees support her, according to government-inspired attacks

The Marcos camp says that when the Cojuangco family received a loan for the purchase of the plantation, the estate was eventually to be subdivided among the families working there. This has not happened, and the farmers have gone to court.

Not so, say plantation officials. Rice lands were given to tenant farmers as intended, but sugar lands were never involved. Moreover, the court case was first filed in the 1960s, but was only decided after Mrs Aquino declared her presidential candidacy.

They also say past efforts to take land reform further and build up factories have been thwarted at official levels, and they describe this month's belated announcement of plans to bring electricity to the villages as another piece of blatant electioneering.

But if Mrs Aquino has looked vulnerable on the issue—two weeks ago she said she would "sit down with my family" to discuss Hacienda Luisita—the attacks are only part of a wider onslaught on the Aquinos.

Earlier this month her godson, campaigning for her support, was gunned down in a car near Hacienda Luisita along with the driver. Some opposition activists have since sought refuge on the estate while others have gone into hiding. All fear for their lives. "The biggest problem is terrorism in Tarlac," says one. "Not just bribery, but threats."

Yesterday the propaganda barrage intensified. Full-page advertisements by the Marcos campaign alluded to the wartime Japanese links of Benigno Aquino's father, who was part of a collaborationist administration along with Salvador Laurel's father. Front-page articles in the government-controlled press quoted embarrassing wartime speeches by Mr Aquino's father.

Plainly if Mr Marcos is upset by US revelations of his "hidden wealth" abroad and his allegedly fraudulent misrepresentation of his war exploits, he obviously has the ammunition to give as good—or as insulting—as he gets.

THE WORLD Council of Churches said yesterday it has compiled a "shocking" report on human rights violations in the Philippines to be released on the eve of the February 7 presidential elections in the republic, AP reports from Geneva.

The documentation "convincingly demonstrates the systematic nature of the violations, showing their direct connection of the political, economic and military policies of the government of President Ferdinand Marcos."

The 150-page report was prepared by the Council's Commission on International Affairs.

"The depths of degradation to which the regime has fallen reflect its desperation," said Mr Ninan Koshy, the commission's chairman.

Donors offer support as Museveni tries to fill power vacuum

Mary Ann Fitzgerald in Nairobi describes how Ugandans are imposing instant justice on Gen Tito Okello's defeated troops

NATIONAL resistance Army leader, Mr Yoweri Museveni, sworn in on Wednesday as Uganda's head of state, is focusing his attention on forming a cabinet to head his fledgling administration.

However, he and his scantily-manned former rebel group have yet to address the power vacuum outside the capital where Gen Tito Okello's routed Uganda National Liberation Army (UNLA) troops, and vigilante attempts to block their retreat, are creating chaos.

On Thursday, Dr Samson Kisekka aged 73, Mr Museveni's chief negotiator at the Nairobi peace talks which attempted to reconcile the two sides, was appointed Prime Minister. Mr Museveni kept the key defence portfolio for himself.

Western dooors, who met yesterday morning, plan to respond generously to the Museveni Government, committing several hundred million dollars over the next three years. US and West German enthusiasm, in particular, stems from what is viewed as the restoration of human rights and democracy.

"Museveni's going to have very fruitful co-operation with the donors. Everyone seems to have been given the green light from their government." Mr Zia Ebrahimzadeh, the IMF resident representative said yesterday.

Angered by 15 years of brutal and often bloody oppression, Ugandans are now imposing instant justice on the army which has been blamed for the deaths of at least 250,000 people during the Amin and Obote regimes.

At the request of UNLA officers, Maj James Thomson, deputy commander of the British military training team stationed at Jinja, flouted protocol and intervened last Saturday but failed to restrain a rabble of 10,000 UNLA troops who rampaged through the town for two days robbing and looting. The Jinja barracks are now manned by 120 UNLA troops who have defected. Similarly UNLA troops have remained at the Tororo barracks, 125 miles east of Kampala, waiting to be relieved by the NRA.

To the east of Kampala, villagers told of exhausted and hungry soldiers throwing their guns into the bushes or trading them for bananas.

At Tororo, Father John Neudegger, a Benedictine missionary, has requisitioned UNLA soldiers now loyal to the NRA to erect a roadblock outside his mission. "I am a missionary, but I am also worried about security," he said.

There have been instances of irate villagers spearing and stoning UNLA soldiers to death. At Soroti and Mbale, towns en route to the northern homes of the predominantly Acholi troops, vigilantes have erected barriers on the road.

Elsewhere they have burned bridges and derailed a train of fleeing troops in a bid to stem their progress. Many UNLA soldiers, who have been forced to flee on foot as their vehiclea run out of fuel, are thought to be hiding in the area. On Thursday residents of Mbale, 155 miles east of Kampala, reported heavy fighting between the UNLA and factions that had defected to the NRM.

NRA troops have not yet penetrated eastern Uganda, but Commander Ellic Tumuine confirmed his men are pushing northwards along the country's western borders.

About 9,000 UNLA troops have surrendered since the NRA seized power in Kampala last weekend, NRA officials said yesterday.

More than 3,000 were taken to the capital's central police station yesterday, some looking hungry and tired but most seemed relaxed and were apparently being well treated.

NRA officials said the captives would be taken to Masaka barracks, about 80 miles (130 km) west of Kampala, where they would be fed and looked after. They would be treated as prisoners of war, they added.

Lt Gen Basilio Okello, UNLA leader and former defence minister Col Wilson Toko are believed to have retreated to their respective home towns of Kitgum and Arua in the far north. They are wanted by Mr Museveni, who has pledged retribution against anyone guilty of human rights abuses. Maj Gen Tito Okello the former head of state is in Juba in Southern Sudan.

Analysts fear they will rally their men and attempt military sorties aimed at undermining the NRA Government, the UNLA is predominantly composed of Nilotic people from the north while the rank and file of the NRA are Bantu from the south. The hostility between the two tribes is deep seated.

هكذا من الاصل

Commons welcomes outspoken new minister

By John Hunt

MRS THATCHER's surprising decisioo to switch Mr Alan Clark from the Department of Employment and appoint him Miniater of Trade will be welcomed by his many fans on both sides of the House of Commons who relish bis highly individual style.

It is doubtful, however, whether his appointment will be greeted with equal enthusiasm by officials at the troubled Department of Trade and Industry.

Over the years this aristocratic character has made a series of outspoken remarks that have endeared him to the Press but sent shudders through Whitehall.

There have been rumours at Westminster that he could be dropped altogether in a Government reshuffle. Instead. Mr Clark, art connoisseur and notable military historian, goes from strength to strength, cheerfully indifferent to what people think of bim.

Many of his contretemps have heen superficial. His latest one, which led to seething indignation among Lahour leftwingers, was a private reference to the possibility of immigrants being sent back to Bongo Bongo Land.

There was also his ministerial performance in the Commons in which be read with studied disdain bis brief about equal employment opportunities foc women.

Alan Clark: protectionist views

He watches the angry reaction to these statements with detached amusement and rarely bothers to deny the wild accusations broght against him.

What else could one expect from a man of his background? The son of the late Lord Kenneth Clark (of Civilisation fame), ex-Eton, Christchurch and Household Cavalry, he is recorded as saying: "I don't need to get any richer. Once you have got a certain amount of money you are really hetter off living on the income."

He did admit to going through a lean period when his father turned bim loose to "live on my wits." But even that experience left him unscathed.

"All you had to do was to get in a taxi, go up to Annabel's club and the barman would lend you £50." he recalls.

Of greater importance than his off-the-cuff remarks are his views on international trade. It does seem quixotic for the Prime Minister to have chosen a man of strong protectionist views to take up a post in which he will he conducting a series of free trade negotiations.

Putting a good fare on this yesterday, one DTI official commented: "Well, at least the textile lobby will love him."

In his new joh he will have to take over delicate negotiations for the renewal of the Multifibre Agreement which expires in July.

There will also he the new round of negotiations on the General Agreement on Tariffs and Trade and the EEC discussions on breaking down trade barriers within the Community.

This will not be made any easier by his reputation for being somewhat anti-European and anti-American.

His officials will be looking up an article he wrote in 1980 calling for the introduction of protectionist measures to assist British industry.

To back up his argument he put projections through the Treasury computer. From this he concluded that "quite spectacular results" could be obtained by modest limitation of imports.

He found it unfortunate that his argument had been so closely associated with the "intemperate left" hut maintained this should not prevent the Conservative Party from adopting it.

"The advantages of guaranteed markets, expanding job opportunities, increased investment and higher revenue would accrue under conditions of Tory freedom and mobility," he wrote.

Behind the flippant facade there is a more weighty side to his character. His training as a barrister equips him to deal with a Whitehall department.

Aged 57 and married with two sons, he is MP for Plymouth Sutton and, in addition to having an estate in Scotland, lives at Saltwood Castle, Kent.

Whatever else happens, things are not likely to be dull at the DTI following the arrival of the man who some Labour wits have called "The Tory Tribunite."

Joseph likely to move to Lords at next election

BY JOHN HUNT

SIR KEITH JOSEPH, who has been Education Secretary sinca 1981, is expected to give up bia seat in the Commons at the next general election after nearly 30 years as an MP.

Sir Keith, aged 68, has been a close ally of Mrs Margaret Thatcber and has been regarded as a leading proponent of the free market economics promoted by her.

Sir Keith attended the annual meeting of his constituency party in Leeds North East last night, a seat he has held since 1956.

He is expected to remain active in politics. It is likely that be will go to the House of Lords as one of the party's elder statesmen.

Sir Keith is eager to remain in his present post to settle the long-running dispute with the teachers. Mrs Thatcher would certainly not relish the loss of another minister following the departure of Mr Leon Brittan and Mr Michael Heseltine over the Westland affair.

Sir Keith, one of the party's leading intellectuals and a fellow of All Souls, Oxford, has always found the rough and tumble of party politics difficult. His sometimes anguished performances at the despatch box and his subtle and refined arguments have become a notable feature of life at Westminster.

On occasion he has left the party faithful hewildered at annual conferences, as he did when he made a long speech at Blackpool drawing a distinction between the "middle ground" and the "centre ground" of politics.

Although he has been a strong influence on Mrs Thatcher he has suffered the disappointment of not seeing many of his theories put into practice. As Social Services Secretary under Mr Heath he was responsible for the reorganisation of the National Health Service, which has since come in for heavy criticism.

Sir Keith Joseph: Thatcher ally

As Industry Secretary under Mrs Thatcher in 1979 he poured large sums of money into British Leyland in contradiction of his own market philosophy. At the Education Department be never found acceptance of his favourite scbeme of education vouchers.

For a long time be was the unfortunate target for left-wing demonstrators whenever he spoke at universities or polytechnics. In the Commons, however, he has always won respect for his personal courtesy and integrity even from those most strongly opposed to his beliefs.

Tory wants vote on leader

BY ROBIN REEVES, WELSH CORRESPONDENT

SIR ANTHONY MEYER, Conservative MP for Clwyd North West, said yesterday that he would like Mrs Margaret Thatcher to have to seek re-election as party leader in the autumn.

He denied that he wished to get rid of the Prime Minister but in an interview on BBC Radio Wales, Sir Anthony said that he felt that it was important to have a contest.

Besides, he would be willing to nominate a rival candidate, he said. The old-Etonian and former diplomat said it was clear that the Westland affair was "not going to lie down."

A leadership contest would be the best way to decide who should lead the party into the next general election, he said.

Sir Anthony is well known for maverick views. During the Falklands crisis, he was a rarity among Conservative MPs in being openly critical of Mrs Thatcher's decision to use military force.

Audit Office hits out

BY ANDREW GOWERS

THE GOVERNMENT's arrangements for storing the growing mountain of surplus farm commodities were criticised yesterday in a report by the National Audit Office.

Storage costs have become a big item of public spending as a result of a sharp increase in stocks of cereals, beef and butter.

Between September 1978 and December 1984, the value of government-bought surplus produce increased nearly sevenfold to £799m.

The report focuses on the activities of the Intervention Board for Agricultural Produce, the Government body which buys and stores surplus agricultural produce.

The board's costs, including any losses on the subsequent sale of surplus produce and storage costs, are supposed to be reimbursed by the European Commission once the produce involved comes out of storage.

However, the Audit Office report finds that the board's costs have consistently exceeded the relevant contributions from Brussels.

For example, UK spending on storage, transport and other costs in the year to November 1983 totalled £85m, of which £21m was not covered by contributions from the Commission.

It suggests several ways to improve the efficiency of storage arrangements, including better use of Crown-owned cereal stores, greater resort to long-term contracts for hired cereal storage, and the introduction of more competition in the hiring of cold storage.

The report also criticises the European Commission for failing to keep up with increases in the UK's stock financing costs.

* *Arrangements for Intervention Commodity Stockholding in the UK; Report by the Comptroller and Auditor General; £4.30 from HMSO.*

OUP expands at Corby

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

OXFORD University Press is to spend £1.1m extending its distribution centre at Corby. The project is being assisted by selective assistance under the government's regional aid programme.

Mr Neil Killip, distribution director, said that although the extension would not lead to the creation of more than 10-20 jobs over the next two to three years the expansion was evidence of the success the press had had since centralising its UK operations to Corby four years ago.

The press employs 150 people at the centre, of whom 70 are in the distribution warehouse.

It is thought that further investment is likely as the OUP will need to extend its high-rise bulk store in about 1988 at a cost of around £1.5m.

The OUP centre is the second largest in the UK after Collins' Scottish store. It was opened at the start of 1982. Mr Killip said it was "the most modern in the industry."

OUP receives 1,000 orders a day at Corby, with the large majority small batches. Mr Killip estimated as many as 80 per cent are for 20 books or fewer.

The centre is fully computerised and can handle 250,000 books a day from its 16,000 titles.

Heathrow passport bias to end

DISCRIMINATION against Spanish and Portuguese visitors arriving at London's Heathrow airport should end in mid-April. The Government has assured the European Community. The passengers are still forced to join non-EEC nationals at Terminal Two's passport control, in spite of Common Market membership since January 1.

Mr Carlo Ripa Di Meana, EEC tourism commissioner, said yesterday he had sought full details from Britain. He said he had received a reply explaining that Terminal Two was overcrowded but would be eased from mid-April when Terminal Four was opened.

This would enable arrivals from Spain and Portugal to use the facilities for Common Market members.

Job switch for economist

MR DAVID KINGSTON, chief economist of PA Management Consultants, has been seconded to Lord Young's enterprise and deregulation units at the Department of Employment.

Mr Kingston, who has more than 25 years experience in the private and public sector, is chairman of the Society of Business Economists. He will concentrate on analysing the compliance costs of new regulations.

MoD saves 80 Ordnance jobs out of 831 cut

By Lynton McLain

MR NORMAN LAMONT, Minister for Defence Procurement, has responded to requests from unions and management at Royal Ordance to bring forward orders so as to cut planned redundancies at two munitions factories. About 80 have been rescinded out of 831.

Union representatives reacted angrily when wockers at Ordnance factories at Birtley, Co Durham, and Chorley, Lancashire, were told on Thursday morning that the jobs must go because of insufficient ammunition orders from the MoD.

Mr Lamont said in the Commons late on Thursday night that the MoD had placed an order with Birtley foc 23,000 shells for 105 mm howitzers. This was the gun used by the army in the final assaults in the Falklands.

Birtley will make the empty shells and Chorley fill them with explosive and propellant.

Mr Bill Meakin, deputy chairman and chief executive of Royal Ordnance, said yesterday: "It is a good order and will stem the planned redundancies by about 10 per cent." He had written to Mr Lamont asking if any outstanding orders could be brought forward.

The company had planned to make 446 redundant at Birtley and 385 at Chorley. Mr Meakin said the order for 105 mm shells would save about 35 jobs at Birtley and 45 at Chorley.

No other companies in the UK make the 105 mm shell. The MoD, under its competition policy for orders, put the order out to competitive tender to Royal Ordnance and foreign manufacturers.

This was the first time an order for the shell had been put out to tender. "Royal Ordnance won on price and quality," Mr Meakin said.

An order for 10,000 shells is in the offing pending an Army decision on the type of fuse.

Ordnance has won "type approval" for its 105 mm howitzer from the US after successful trials with 20 of the guns in America.

The unions met Mr Lamont on January 20. The main problem was "the growing impact on Royal Ordnance of the Government's competition policy in defence procurement," union representatives said yesterday.

Mr Lamont was asked to reexamine competitive tendering for munitions orders after Royal Ordnance lost a British Army order for 76 mm light-tank gun shells to the Belgian munitions company PRB because its bid was too high.

Of the 831 proposed redundancies 620 are likely to be compulsory.

Directors in EEC call

THE PROCESS of harmonisation within the EEC must be pursued alongside rigorous assessment of the costs that the policy imposes on business, the Institute of Directors, warned in a report published yesterday.

While welcoming the initiatives proposed in the European Commission's White Paper aimed at achieving a fully unified internal market by 1992, the Institute says that the gains stemming from the achievement of this target will be cancelled out if there is not enough attention paid to deregulation.

Barry Riley on the break-up of a 150-year banking dynasty

Hambro: no longer all in the family

THE HAMBRO banking dynasty formally announced this week that it is to split.

One part, headed by the veteran banker Mr Jocelyn Hambro, 66, and including his three sons, Rupert, Richard and James, all in their early 40s or late 30s, is to form an independent financial enterprise using Hambro Trust as a vehicle.

Another part, headed by Mr Charles Hambro, 55, current chairman of Hambros plc, which owns Hambros Bank, is staying put. His son and daughter, Charles and Clare, in their 20s, are in junior positions with the bank.

Rupert, chairman of the bank for less than three years, and a cousin of Charles, will soon depart. So will his brother James, in charge of international marketing, and Richard, who is no longer an executive but is a director of the bank.

Mr Charles Hambro said yesterday: "I personally feel very sorry it has happened. There were obviously considerable conversations on it, and I did by best to persuade them not to do whatever they wish to do.

"There is no rancour in it at all, on either side. But I am going my way, and Rupert and his brothers, together with his father, are going the other way."

Mr Rupert Hambro was not willing to discuss his plans in any detail yesterday, arguing that it was inopportune to spell them out at this stage.

First, he wants to see the completion of plans to extricate the listed company Hambros plc from the effective control of Hambro Trust, which through a holding of high-voting shares has almost 50 per cent of the votes.

"We'll expand on our ideas in due course," he said. "But they are by no means clarified. We would not go back into banking again, but we would stay in the City."

The split comes after nearly 150 years of family banking in London since Mr Carl Joachim Hambro moved to London from Copenhagen in 1839. Previously the family had been silk merchants, then bankers to the kings of Norway, Denmark and Sweden.

Charles Hambro, left, and Rupert Hambro: separate ways

For many years Hambros was one of the largest and most prominent merchant banks in the City of London, but in recent years its fortunes have been on the wane.

There has been much internal debate on its future strategy, but many observers feel that the bank has failed either to find a secure niche in the increasingly competitive international banking business or to make a decisive move into the newly opened-up securities markets, where many rival banks have been buying up stock market firms.

Instead, it is engaged, somewhat controversially, in the £77m takeover of the estate agents Bairstow Eves.

Although there is no family disagreement as such over the purchase of Bairstow Eves, it is thought that Mr Rupert Hambro and his brothers have become increasingly disenchanted with the prospects for the banking business and want to put together a new enterprise, with relatively few employees, concentrating on corporate finance and dealmaking.

Hambro Trust is an investment vehicle through which family control over the bank is exercised. The plan is to convert its high-voting shares in Hambros plc into ordinary equity, which could take until the end of March, and then to sell at some future stage its stake of, perhaps, 15 per cent of the equity.

This would raise a sum of about £40m before capital gains tax to use as the basis of the new activities of the trust. The trust is also listed on the Stock Exchange, however, so there will be other family and public shareholders to be considered before the business can be set up in the way intended by Mr Jocelyn Hambro and his sons.

The announcement on Thursday has had an electrifying impact on the share prices of both Hambros plc and Hambro Trust.

In two days the plc price has shot up 52p to 217p and the Trust price 60p to 247p. This is largely explained by speculation that the family split could pave the way for an outside takeover of plc.

Yesterday Mr Christopher Sporborg, chief executive of the non-banking side of Hambros plc, denied any knowledge of a bid.

"We will be a normal quoted company without an umbrella," he said. "I personally welcome that situation. I have every confidence in the business today, and the direction in which we are going.

"If someone wants to come along and bid for the shares at a huge price, then that's the way it is. But we are certainly not looking for that."

Mr John "Chips" Keswick, chief executive of the bank, dismissed suggestions that there were any strategic problems. "What we have got at the moment is a nicely balanced business, with various streams of income in it, the whole of which makes sense."

Mr Keswick is in line to become chairman of the bank on the departure of Mr Rupert Hambro.

He does not see any present need for new capital, but the breaking of the link with Hambro Trust could increase the flexibility available to Hambros plc.

"One result of enfranchisement would obviously be that if we wanted to issue our shares we could do so without worrying whether it would affect the family control. That is the main freedom plank," said Mr Keswick.

Mr Sporborg insisted that there were no strategic disagreements at Hambros.

"We are very clear where we are going. And we are well-positioned for the future. That does not mean we must spend millions of pounds buying brokers and jobbers."

SuperChannel short of finance

BY RAYMOND SNODDY

THE independent television companies have failed so far to come up with the full equity finance for their plan to create a satellite television channel featuring the best of British television and aimed at the cable networks of Europe.

In spite of confirming yesterday that their Super Channel company intended to launch an 18 hour-a-day service from October using a selection of ITV, Channel 4 and BBC programmes they are more than 20 per cent short of the equity needed.

The intention is to finance the ambitious venture with about £8m of equity finance, plus loan stock and debt. It is believed the total exposure could be £35m to £40m.

The hole in the financing plan has been created because two of the big five ITV companies —Thames and Yorkshire—have decided not to invest in the project at least for the time being.

The Thames decision was expected. The company is planning a public flotation of about 50 per cent of its shares in May. But Yorkshire has often emphasised the importance of solidarity within the federal ITV system.

It is believed the Yorkshire executive directors were unhappy with the business plan for the project and never put the proposal to major shareholders such as W. H. Smith.

Vigorous attempts will be made in the next few weeks to persuade Yorkshire to change its mind.

If this fails the 13 ITV companies in the venture will try to absorb the slack or go to outside investors for support.

SuperChannel plans to appoint executives later this month and detailed negotiations will start soon with the BBC which has agreed in principle to supply programmes for the venture.

Unijet offers low-cost flights

BY LYNTON McLAIN

UNIJET, part of the Viking International group, is offering a series of low-cost international flights for passengers who want to make their own holiday arrangements based on cheap flights.

Unijet already offers cheap air tickets in Europe and about 120,000 cheap seats.

The company has reached agreement with 14 international airlines—including British Caledonian, TWA, Continental, Eastern and Cathay Pacific Airways—to use their aircraft for cheap scheduled flights.

Barclays Industrial Development, part of Barclays Merchant Bank, has a 22 per cent share of Viking International. The balance of the company is mostly owned privately.

"We see this new service, fully supported by some of the world's leading airlines, as a major competitor to British Airways' Poundstretcher fares." Mr Chris Parker, chairman and managing director of Viking International, said.

"Within three years we confidently expect that it will have a big impact on BA's share of the low-cost travel market."

The service also includes charter flights to North American gateways on flights of Nationair of Canada and Transamerica Airlines of the US.

The cheap fare offers on scheduled and charter airlines are linked with savings for passengers of between £5 and £40 per adult passenger, and up to £25 per child in the form of savings on car hire, hotel accommodation, onward air travel and travel insurance.

Barclaycard fraud cut for first time

By Michael Cassell

BARCLAYCARD FRAUD in 1985 fell for the first time in the credit card's 20-year history.

The drop came in spite of a 31 per cent increase in turnover and the addition of more than 8,000 cardholders. The number of Barclaycards in use exceeds 8m.

Barclaycard said yesterday that losses from fraud fell by £700,000, to £5.4m, from £6.1m in 1984. As a percentage of retail sales, fraud through Barclaycard's 236,000 outlets dropped 0.22 per cent to 0.15 per cent.

The decline, it says, is attributable to a combination of several "effective fraud prevention measures."

The company said the telephone authorisation service, which handled more than 15m calls in 1985, played an important part in reducing fraud.

"We also paid out nearly £500,000 in rewards during 1985 and nearly 15,000 stolen Barclaycards were recovered. Over 3,000 arrests were made."

Last year was the company's most successful ever. Turnover rose to nearly £4.5bn. The total of new cards issued reached 819,000.

David Churchill looks at the man who is welding together a recently merged retail chain

New Asda-MFI chief eases City jitters

MR DEREK HUNT's emergence this week as the man with the task of welding Asda-MFI, the third largest retail group in Britain, into an effective combination for the 1990s, has gone some way to ease City jitters about the company's future, after its creation by one of the largest retailing mergers of last year.

Twelve months ago, Mr Hunt was the darling of City analysts, with his successful, out-of-town MFI furniture operation. Asda, meanwhile, was beginning to look a little jaded after more than a decade of unrivalled expansion, in comparison with such established giants as Tesco and J. Sainsbury and new entrepreneurial supermarket chains typified by Argyll and the Dee Corporation.

Thus the £615m merger of MFI and Asda, announced last April, not only surprised the City but also posed a dilemma —would the sum of the retail chains be greater than the two parts?

The logic of the merger failed to capture the City's imagination as did Sir Terence Conran's link with British Home Stores. City sceptics appeared to be proved right, moreover, when Asda-MFI announced rather flat interim pre-tax profits last month of £72.2m, against £72.59m in the equivalent period of last year on a pro forma basis.

"The merger couldn't have come at a worse time, in trading terms, for the two groups," said Mr Paul Smiddy of stockbrokers Wood Mackenzie. "Asda was reaping the results of failing to keep up with market changes, while MFI faced a slump in furniture sales."

The result of the problems facing the new group was pressure in the City on Mr Noel Stockdale, chairman of Asda-MFI, who had already passed normal retirement age, to make the succession clear. This week, the company announced that Mr Stockdale would retire, after 47 years, at the annual meeting in October. Mr Hunt, 46, becomes deputy chairman and group chief executive immediately, with Mr John Hardman, managing director of Asda, becoming a deputy chairman as well.

Mr Hunt suggested that the City might be taking rather too short a view about the group's future. "We said at the time the merger was announced that we were creating a retail force for the 1990s from the basis of two of the most successful out-of-town retailer of the 1980s. You just can't expect to weld together two such operations in six months."

Significant progress had already been made in joint operation of property and buying activities and there was "substantial exchange of personnel throughout the group."

The company had a lot of bright young managers on the separate Asda and MFI executive boards, to whom the group was looking for its future drive.

Mr Hunt's initial priority will be to encourage the regeneration of the 103 Asda superstores. Asda was first into superstores — those with more than 25,000 sq ft of sales space — when the likes of Tesco and J. Sainsbury were still selling out of small, High Street supermarkets.

From its northern base in the late 1960s and 1970s, Asda created large stores like warehouses selling branded goods from large racks. With plenty of car-parking facilities at out-of-town sites, Asda soon was able to establish the trend towards one-stop bulk shopping, which Tesco and Sainsbury were forced to follow.

Yet Asda became a victim of its own success and failed to respond to changing tastes in shopping. "People don't want to shop anymore in large sheds which have no design appeal," points out Mr Smiddy.

Asda's problems have been compounded by the success of other food retailers, which have capitalised on changing trends. A new market survey, published this week by Verdict, shows that Asda's share of grocery sales rose from 7 per cent in 1983-84 to only 7.1 per cent in 1984-85. During that period, Dee's share grew from 4.1 to 7.4 per cent.

Mr Hardman, who took over as managing director two years ago, after the abrupt departure of Mr John Fletcher from the Asda top job, has been well aware of this problem and has put in train plans to improve Asda's image. The style of the new-look Asda superstores — created by the design consultancy Rodney Fitch and Co — was unveiled late last year at Leamington Spa, Warwickshire.

There, the old cream and brown colours have been superseded by apple green and orange, plus dashes of red and blue. For the first time in an Asda store, there are lower suspended ceilings over the non-food and fresh-food areas.

Another key change in Asda's strategy is away from selling only manufacturers' branded products into developing own-label goods with greater gross margins—25 per cent, compared with an average 12 per cent on branded goods.

The popularity of own-label goods — which are sold more cheaply than manufacturers' brands — has been partially responsible for the success of other supermarket chains, according to a report this week from the Mintel market research company. It says that about 57 per cent of Sainsbury's sales now come from the company's 3,000 own-label products.

Fortunately for Mr Hunt, the problems facing MFI are less acute because the furniture market looks like picking up. "There are very few sectors in Britain's mature retail market which offer the opportunities remaining to be exploited in furniture," says Mr Richard Hyman of the Verdict research company.

The City may decide that the Asda-MFI merger at last deserves its postponed "honeymoon" period, now Mr Hunt has become chief executive, though there are still those who remain convinced that the marriage will end up in divorce.

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Lisa Wood on sales in champagne's principal foreign market

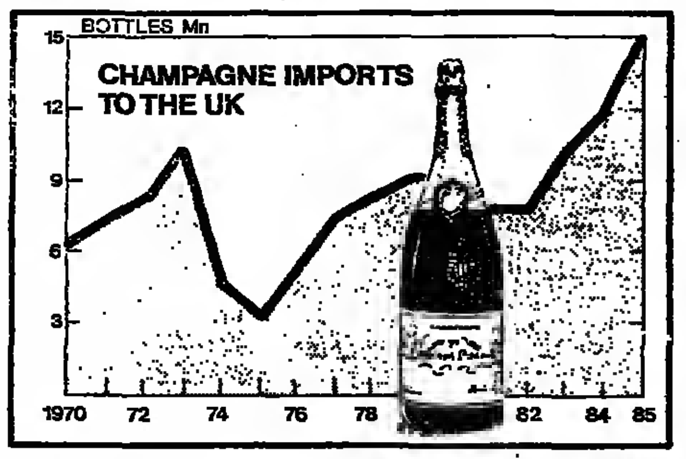
More bubbly on Britain's tables

BEFORE THE First World War, according to a story allegedly told by the late Labour deputy leader Mr Nye Bevan, and often recounted in the wine trade, no Welsh miner considered he was doing his family proud unless be put a bottle of champagne on the table for Sunday lunch.

Is this an indication that champagne was cheap in early 20th century Britain?

"Certainly not," says Miss Nancy Jarrett, a director of Moet et Chandon, one of the leading French champagne houses. "It is a demonstration that miners were well paid and proud of it," she says.

It was not until 1984 that shipments of champagne to the UK exceeded those of Edwardian times while in 1985, according to figures published by the Champagne Bureau, Britain re-asserted itself as the drink's principal foreign customer. Over the past 10 years it had vied mainly with the US and Italy for that distinction. The French themselves drink more champagne than the rest of the world put together.



Shipments to the UK last year were 15.3m bottles, compared with 11.9m in 1984

Such has been the popularity of bubbly over the last 25 years that worldwide demand has risen from 98m bottles in 1969 to 195m bottles in 1985 with consumption in France accounting for about 122m bottles last year.

The nurturing of international sales has been a high priority of the industry, though such a strategy has its problems. The Comite Interprofessionnel Du Vin De Champagne, the drink's governing body, has fought a continuing battle to protect the integrity of the drink from others passed off as champagne. In the UK, English case law dating from 1960 gives legal protection to the appellation champagne.

In the past 25 years shipments of champagne to the UK have more than doubled, a growth unparalleled among the drink's foreign customers except for the US, where the trend seen recently in developed countries towards drinks perceived as lighter, and thus more healthy, first developed.

In the UK, according to the industry, it is not just frequent drinkers imbibing more but a wider spectrum of people gaining a taste for champagne with supermarkets selling their own champagne label products opening new markets.

A note of caution on the Champagne Bureau's sparkling figures comes from the Wine and Spirit Association. It points to a significant discrepancy between shipments recorded by the French to the UK and clearances from UK Customs and Excise Bond, a discrepancy that has increased in the past few years.

In 1984 for example, according to the Champagne Bureau, shipments of champagne to the UK amounted to 11.9m bottles. The Wine and Spirit Association, however, estimated clearances of champagne from bond to be about 8.8m bottles.

"The discrepancy is one of the wine trade's mysteries," said the Champagne Bureau. Duty-free sales from airline and ships stocks and advance buying before price increases are potential explanations

This year, for instance, price increases of more than 10 per cent are in the pipeline, and the industry suggests that the record shipments last year could be an indication of a stocking-up by British shippers before the price goes up. Orders for 1986 are only just being placed so it is too early to tell.

Mr John Clevely, managing director of Veuve Cliquot, the champagne house, and chairman of H. Parrot, one of Britain's biggest independent wine shippers, said: "I would be extremely surprised to see shipments in 1986 exceeding those of 1985."

Last year, said Mr Clevely, was one with a combination of exceptional circumstances.

These included good quality champagne at prices which had not risen for two years and an increasing disposable income among most Britons in work.

Mr Clevely suggested that while his sales had gone up by nearly 20 per cent in 1985, the growth in sales of many supermarket own-label brands would probably have strongly exceeded that. Own-label brands account for an estimated 40 per cent of the market by volume.

"The supermarkets are not taking away from our market," said Mr Cleverly, whose Veuve Clicquot retails from £11 a bottle. "Rather they are expanding the market for the drink."

Retail chains with their own-label champagnes include Marks and Spencer, Tesco and J. Sainsbury, the latter dominating own-label sales starting at £6.75 a bottle.

J. Sainsbury said: "Champagne is an important part of our off-licence sales because it complements the range. Of course, sales are nowhere near those of Liebfraumilch, the West German white wine, but it is important that we can offer our customers champagne."

The increase in supermarkets sales has been strongly related to price, with the good harvests of 1982 and 1983 releasing large quantities onto the market and driving down production prices. By law, champagne is not sold for at least 15 months after the harvest, with prices determined by the longer term consideration of supply and demand.

As to why more Britons want to drink champagne Mr Adrian Lane, a trading director of Tesco said: "Interest in the better things of life is increasing and drinking champagne is part of that."

Mr Richard Balls, buying director of Balls Bros, the family-owned wine merchant and wine bar operator in the City of London, said: "It is the sort of drink people like to be seen to be drinking because of its luxury image."

At the same time the drink, like white wine, fitted into the trend for drinks believed to be lighter and healthier.

Mr Charles Minoprio, a director of Hatch Mansfield, the fine wine subsidiary of Grants of St James, said: "People who are in work are better off today than they have ever been. The stock markets are high and people are spending more money."

While it is unlikely that champagne is still served every Sunday on the Welsh miner's table, the drink is gaining consumers throughout Britain and not just in the affluent south-east. However, according to Mr Clevely, about 60 per cent of his sales are still in the south-east.

Price increases of between 10 and 15 per cent coming through already this year could, however, put a dent in the growth of sales, particularly at the price-sensitive lower end of the market. Price increases this year are largely because of the poor champagne harvest last year.

"If we have a second poor harvest, in terms of volume, in 1986 we will see a major change in the market," said Mr Clevely.

Wine column, Weekend FT Page XVI

Sheffield steel strike ends after 16 weeks

By Helen Hague, Labour Staff

STEELWORKERS at the Sheffield Forgemasters group yesterday voted unanimously to accept a formula, agreed through the conciliation service Acas, for ending their 16-week dispute. They will return to work on Monday.

The settlement includes agreement on union representation and organisation—the issue which provoked the dispute—and reinstatement of the 700 strikers at the company's Atlas site, who were dismissed in December.

A £10m aid package from the Trade and Industry Department was not forthcoming while the dispute continued.

About 1,000 workers at the group's River Don site joined the stoppage last month after their colleagues had been sacked.

The Atlas site dispute began through grievances over pay, minimum earnings and redundancy guarantees, as well as the management's refusal to recognise the established negotiating structure centralised by shop stewards.

The group had been reorganised into subsidiary divisions, which made the old structure obsolete, the company argued.

The terms of the settlement provide for a joint shop-stewards' committee, covering the Atlas and River Don sites. Pay and productivity negotiations will shift to individual subsidiary level—although representatives of the group-wide committee may be called on in the event of deadlock.

The group-wide committee will have negotiating rights on pensions, health and safety, but there will be no full-time officials on site.

Mr Ron Ward, the former convenor at Atlas, said the settlement was a victory, although the workers accepted that it was not realistic to pursue a pay claim on returning to work.

TUC and Labour Party hit out at Wages Bill

BY DAVID BRINDLE, LABOUR STAFF

THE Government yesterday published the Wages Bill, which seeks to reform the wages councils, to repeal the Truck Acts and to abolish payment of redundancy rebate to companies with 10 or more employees.

The bill's central measures are the withdrawal of wages council jurisdiction over the pay rates of workers under the age of 21, and the restriction of wages councils to the setting of only one basic pay rate and an overtime rate for each group of workers.

Although all the main points in the bill have been previewed, the proposed legislation was criticised heavily by the TUC and the Labour Party. Miss Clare Short, shadow employment spokesman, said a Labour government would repeal the "mean-minded" measure in its entirety and introduce a national minimum wage.

The CBI welcomed the moves on wages councils and the Truck Acts but said the abolition of redundancy rebate to larger companies could cost industry up to £20m a year and could "delay manning changes which are necessary to recapture lost markets."

The bill would replace 18 Acts, more than 20 statutory orders and parts of other legal instruments. Mr Kenneth Clarke, Paymaster General, said much of this existing legislation dated back to Victorian and Edwardian times and was unsuited to the modern economy.

The bill is in three main sections:

● Payment of wages: The bill repeals the Truck Acts, removing manual workers' right to be paid in cash with the aim of encouraging the spread of payment by bank credit transfer. Employers' deductions from pay would be unlawful except by law, by employment contract or by the written consent of the worker.

Deductions for stock or cash shortages in the retail sector would be limited to 10 per cent of each wage payment, and workers would have the right to appeal to an industrial tribunal over alleged unlawful deductions.

Although some savings would be made in the costs of the wages inspectorate, the additional workload for industrial tribunals and for Acas, the conciliation service (at pre-tribunal stage) would result in an estimated net additional annual cost of about £100,000.

● Reform of wages councils: Removal of 500,000 under-21s from the scope of the 28 wages councils would, the Government believes, create jobs at lower pay rates. Simplification of wages council orders for 2.2m other workers would leave employers and employees to negotiate their own detailed terms and conditions.

Wages councils would be required to consider the effect on employment levels of their orders and there would be provision for the Employment Secretary to vary the jurisdiction of a council or to abolish it by order.

● Restricted payment of redundancy rebate: Having inherited a scheme providing for 50 per cent reimbursement of employers' statutory redundancy payments, the Government proposes to abolish the present 35 per cent rate for all companies with 10 or more employees.

As the average rebate is some £500, estimated savings in a full year are £200m plus the £900,000 costs of about 90 posts of workers who handle rebate claims.

Paxman restarts Sunday work

BY DAVID BRINDLE, LABOUR STAFF

PAXMAN DIESELS, a GEC subsidiary, intends to reintroduce Sunday working at its Colchester, Essex, plant tomorrow after it gave its 630 manual employees 24 hours to give agreement in writing or face dismissal.

The workers this week each received a letter, telling them their restrictions on overtime constituted "industrial action" and they must either sign individual commitments to work overtime "as determined by supervision" or collect their employment cards.

About 70 per cent of the workers returned commitment forms, attached to the letters, against union advice. The unions represented at the plant meanwhile reached an agreement on Sunday working to prevent a dispute.

The issue arose from an existing local agreement, whereby the plant would not be operated on Sundays except in special circumstances and by prior consultation with the unions.

Paxman said yesterday its heavy work programme necessitated a "reasonable amount" of overtime working over the coming months. Employees had agreed to overtime arrangements, but union officials had been applying a veto. The deadlock prompted the sending of the letters to the workforce.

The unions are believed to have agreed to consultation in the wake of Sunday working—rather than in advance—in line with the national agreement for the engineering industry.

John Lloyd on possible ways out of a newspaper industry crisis

Getting off the hook over Wapping

THERE'S A way off every hook: that received wisdom of collective bargaining took a bad battering during the miners' strike. Can it be resurrected for the Wapping crisis? Is there a deal?

Rather, are there two deals? For there are two hooks.

The first is the dispute between two print unions, Sogat '82 and the National Graphical Association, on the one hand and News International on the other. The second is the dispute between four print unions, including the National Union of Journalists and the Amalgamated Union of Engineering Workers, and the electricians union, the EETPU.

The first dispute is going badly for the unions: Mr Rupert Murdoch, the News International chairman, has succeeded in producing at Wapping and Glasgow most of the copies he needs of his daily papers, The Sun (4.1m) and The Times (530,000). He has yet to prove he has adequate capacity for the Saturday night run of News of the World (5m) and the Sunday Times (1.3m).

He is also getting them out. The drivers of the trucks operated by TNT, the company with the contract to deliver the papers, have taken no apparent notice of the unequivocal instruction not to cross picket lines, issued on Wednesday by Mr Ron Todd, the Transport and General Workers Union leader.

The 5,000 printers who went on strike and were dismissed by Mr Murdoch are too numerous to be soaked up elsewhere in Fleet Street. The unions do have some leverage. The London wholesale houses have refused to handle the News International titles because they know their workers will obey blacking instructions. Mr Murdoch has had to construct, through TNT his own distribution system at great expense.

The provincial wholesalers are generally handling the titles but there too extra expense is incurred. Neither in the capital nor outside it is circulation yet normal, largely because production is not normal.

The leap into Wapping and Glasgow with their 62 printing units has left behind in Bouverie Street and Grays Inn Road 159 printing units. Mr Murdoch needs some of that capacity if he is to be assured of normal production and if he is to launch his long-mooted London Post.

So a deal might take shape. In return for ending the action, stopping the blacking of the titles and releasing the printing plant, News International may ultimately be willing to construct a redundancy package for the bulk of those sacked, while taking back a few hundred on a tight legally-binding agreement to run the presses at Gray's Inn Road.

Wapping it would now seem, is beyond the union's hopes to organise. Barring a climbdown by the electricians it will remain outside of the control of the main print unions.

Could there be a climbdown to get the unions off their second hook?

The Trades Union Congress general council members gathered to hear the charges laid against EEPTU on Thursday were genuinely surprised by the scale of what the union is alleged to have done to get its members into Wapping and Glasgow.

It is said to have colluded secretly with the company in acting as an employment agency, primed members who were hired to cross picket lines and lied about doing so.

Mr Hammond did not turn up for the laying of charges this week, insisting that the 200 print workers who had jostled him at a previous general council meeting constituted an intimidatory force. It does not appear that he wants to stay in.

He has, however, sung different tunes at different times. He has also not yet presented his union's defence.

He has made much of his desire to present a powerful counter argument. He has many points he might make. The anarchy of Fleet Street industrial relations existed long before his members went into Wapping. Print unions have demanded that newspaper secretaries, advertising and other staff joined them though they were not "naturally" their members and are often treated relatively badly.

Sogat '82 tried to poach Fleet Street electricians two years ago and only backed down after the general council directed it to do so. Printing techniques are becoming electronic and there is something of a case that electricians should follow the electrons.

If he does win some credit for his case—and he will have to be a powerful advocate indeed—then a deal here too is just possible.

The meeting next Wednesday will, if it finds the EETPU "guilty," direct it to desist from its actions. Much importance attaches to the nature of that direction.

Mr Hammond has said he will not accept any instruction which is unlawful; for example, he will not accept an order that his Wapping members will be told not to cross picket lines.

What, however, if he is asked to do something lawful, say, hand over his members to another union, refuse to sign an agreement with Mr Murdoch, or agree to attempt once more to get into negotiations, together with the other print unions, with Mr Murdoch?

Mr Hammond has made his calculations about leaving the TUC. He has said publicly that he can better in membership terms out than in. Maybe: but it will be a big risk, since every union in the TUC will be out to get his members and prove him wrong.

The grounds for deals exist; the reasons do too. Does the will?

Merger for medical research

BY DAVID FISHLOCK, SCIENCE EDITOR

THE Medical Research Council has agreed that two big medical research centres in London should be merged.

The aim is to create a single centre for post-graduate medical education and research, able to take greater advantage of recent advances in basic medical science for the prevention and treatment of disease.

They are the Clinical Research Centre, attached to Northwick Park Hospital, and the Royal Post-graduate Medical School, at Hammersmith Hospital.

The recommendations for a merger are from an expert committee headed by Sir Michael Stoker, president of Clare Hall, Cambridge.

Its task was to investigate the Clinical Research Centre, set up 15 years ago at the newly-built hospital, so as to work closely with patients of a general hospital.

Report of the Clinical Research Centre Committee; from Mrs Avie Gillingham, MRC, 20 Park Crescent, London W1N 4AL.

Engineering output rises 2%

Financial Times Reporter

ENGINEERING industry output was 2 per cent higher in the three months to November compared with the preceding three months on a seasonally adjusted basis.

Output in the mechanical engineering sectors and in the electrical and instrument sectors was 2 per cent higher, according to Department of Trade and Industry statistics.

The mechanical engineering sectors were up 7 per cent compared with the same period in 1984. The electrical and instrument sectors were up only 2.5 per cent on this basis.

The mechanical sectors showing most progress were the heavily weighted boilers and process plant fabrications, up 6 per cent on both comparisons. Production of mechanical lifting and handling equipment was 12 per cent higher than in the previous three months and 19 per cent higher than in the same period of 1984.

Output of electronic data processing equipment was up 11 per cent compared with the same period of 1984. Production of basic electrical equipment was down 8 per cent.

National Giro profits advance

By Michael Cassell

NATIONAL GIROBANK achieved a small improvement in pre-tax profits in the half-year to October 1, 1985.

Girobank, which ceased last October to be a department of the Post Office and was incorporated as a public company, recorded an £8.5m pre-tax profit, compared with £8.2m for the equivalent period a year before.

The results are the first separate figures from Girobank since its change of status. In its last full financial year, it reported a 21 per cent increase in profits, to £18.8m.

ECONOMIC DIARY

MONDAY: Credit business (December). Retail sales (December final). Opec ministerial committee meets in Vienna to discuss market share. EEC Foreign Ministers or Deputies attend summit meeting of African frontline states in Lusaka. UN human rights commission meets in Geneva. Siemens issues statement. Overseas bankers dinner in London.

TUESDAY: EEC Internal Market Council meets in Brussels. UK official reserves (January). Capital issues and redemptions (during the month of January). Provisional estimates of monetary aggregates (mid-January). London and Scottish banks' monthly statement (mid-January). Teachers' employers meet to discuss pay deal. President Reagan gives State of the Union address. Disarmament conference resumes in Geneva.

WEDNESDAY: Overseas travel and tourism (November). Housing starts and completions (December). Advance energy statistics (December). EETPU expected to respond to TUC complaints. Commons debates motion: "The conduct and supervision of the City." President Reagan's budget proposals for fiscal year 1987 released. French TUC calls for 24 hour dock strike.

THURSDAY: EEC energy ministers meet in Brussels.

APPOINTMENTS

Channel Tunnel director for British Rail

Mr Malcolm Southgate has been appointed to the BRITISH RAILWAYS BOARD as director, Channel Tunnel, to take responsibility for the board's £400m investment in the project, and to carry through the train service planning in time for the opening of the rail link in 1993. Mr Southgate has been general manager of the London Midland Region since 1983. He will be succeeded by Mr Cyril Bleasdale, who has been director, Intercity, since 1982. Dr John Prideaux, director of the policy unit, succeeds Mr Bleasdale. All the appointments are from February 24.

★

The following have been appointed assistant directors of HAMBROS BANK: Mr J. W. Mein, commercial banking; Mr D. Denman, Mr J. A. Gilbert, Mr W. J. Nabarro, corporate finance; Mrs J. C. Cowell, Miss P. A. Dennis, Mr R. E. Donaldson, Mr P. J. Goodey, Mr L. Moltesen, general banking; Mr C. R. D. Arbuthnot, Mr G. J. T. G. De Nadaillac, Mr G. P. Knight, Mr T. F. Candy, international debt issues; Mr M. J. Beaver, Mr C. R. B. Cox, Mr M. T. N. Mansfield, investment management; Mr J. F. Denneby, leasing; Mr N. H. Page, non-banking activities; Mr D. R. Curtis, Mr A. M. Le Grove, Mr N. H. Scott-Barrett, medium term finance and shipping; Mr J. J. Caiger, Mr L. C. White, Mr P. V. Wright, Mr L. Tiller, central services. — London, as deputy general manager. He was formerly manager of the Geneva branch. Mr Raymond C. Sturmer becomes assistant general manager.

★

Mr Peter Morse has been appointed a director of the WEST LEIGH GROUP, a member of the OCS Group. He was general manager.

★

Gold Fields ARC and Amey Roadstone Corporation have merged their boards to form ARC: Mr J. H. A. Wood (executive chairman); Mr C. Spence (chief executive and deputy chairman); Mr B. W. Delter (director, finance); Mr C. Glynn (managing director, building products); Mr E. H. Hope (managing director, ARC construction group); Mr G. Mortimer (managing director, UK aggregates); Mr K. Orrell-Jones (president and CEO, ARC America); Mr D. F. Singleton (director, marketing and development); and Mr P. T. Terry (director, personnel and corporate services). The following are non-executive directors: Mr R. I. J. Agnew, Mr R. G. Bartlett, Mr S. Eilon, Mr P. D. Fells, Mr G. R. J. Guise, Mr A. P. Hichens, and Mr H. P. Parry.

★

DEREK BRYANT GROUP has appointed Mr Stuart J. Bryant, Mr Ian R. Stock and Mr Michael F. Townsend to the board. Mr Townsend is president of the group's US subsidiary, Derek ... appointed to the board of the group's Lloyds broking subsidiary Derek Bryant Insurance Brokers. Mr Warman is responsible for the overseas errors and omissions business and Mr Davidson heads its oil and gas departments.

★

Mr R. E. Stedman has been appointed chief executive of MINET INSURANCE BROKERS (HOLDINGS). This is part of a reorganisation of management functions. Mr C. W. Keey, joint deputy chairman of Minet Holdings, remains chairman of Minet Insurance Brokers (Holdings).

★

The Home Secretary has appointed a new part-time deputy chairman of the EQUAL OPPORTUNITIES COMMISSION in succession to Mrs Jane Finlay, who died suddenly last November. The new deputy chairman is Mrs June O'Dell, the president of the UK Federation of Business and Professional Women.

★

NFC PROPERTIES, the property development arm of NFC Property Group, has made the following board appointments: Mr D. H. White (deputy chairman of National Freight Consortium) becomes chairman. Mr Henry Lyons is made managing director and Mr H. Lafferty finance director.

★

LONDON & SCOTTISH ... Geoffrey Searle, the former chairman, is to retire from the LASMO board. The new directors are: Sir Alistair Frame, chairman of RTZ; Mr George Naylor, managing director of RTZ Oil and Gas (non-executive directors); Mr Richard Barry, LASMO's general manager, production and operations; and Mr Norman Davidson Kelly, general manager, corporate development (executive directors).

★

COMBINED LEASE FINANCE has appointed Mr Glyn Jenkins to the board as finance director. He was formerly finance director of Mercantile Credit and was vice chairman of the Equipment Leasing Association.

★

YEOMANS AND PARTNERS, a company within the Bovis Construction division of the P & O Group, has made the following appointments: Mr Peter Craft becomes assistant managing director. He retains responsibility as director in charge of building operations. Mr Keith Davis has been made director for surveying of building and shopfitting activities. Mr Bob Thurlow has been appointed director for commercial activities covering estimating liaison, building estimating and building purchasing. He was chief estimator.

★

Mr Peter Engstrom will join ... market activities in capital market business. He was director and head of the international loans department of the Swedish national debt office. He is expected to come to London in April.

★

Mr Arthur Bergbaum has retired as an executive director of LONDON & EDINBURGH TRUST but remains a non-executive director.

★

EBC AMRO BANK has appointed Mr Nigel Palmer and Mr Keith Wood executive directors. Mr Palmer is responsible for the bank's currency and coupon swap activities and Mr Wood is responsible for the personnel function.

★

GILES & OVERBURY, stockbrokers, has made Mr Michael Laidlaw an executive director. He was previously with Vivian Gray and is a member of the Stock Exchange.

★

Mr Clive Snowden has been appointed president of the CAKE & BISCUIT ALLIANCE in succession to Mr Monny Verschueren who has left the industry. Formerly CBA vice president, Mr Snowden is marketing services director UK division, Rowntree Mackintosh.

★

Mr Simon Canning has been

IT WILL TAKE OUR COMBINED STRENGTH TO DEFEAT ADVERSARIES SUCH AS THESE.

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And as each has its own thriving domestic brands, they won't be wearing Scotland's favours in battle.

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It is for this reason, more than any other, that our offer for Distillers makes so much sense.

Our joint enterprise will give Britain a representative amongst the top four of the international drinks business.

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By careful targetting we can position our household names to complement one another, rather than compete.

Britain's recent industrial history is a catalogue of international opportunities missed.

Help us redress the balance. Support the Guinness Distillers bid.

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FINANCIAL TIMES

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Saturday February 1 1986

Tax rules and trade rules

THE DANGER of an international trade war starting in the Pacific has suddenly flared up again. The immediate cause is the widening of the US trade deficit to $17bn in December. This is indeed a startling figure—a deficit in one month equal to the total of the much-discussed British deficit in manufactures over some three years; and it consists quite disproportionately of imports from one country, Japan. It is not surprising that the protectionists in Congress—all those who represent constituencies with especially threatened industries—are once again sounding the tom-toms. It is still less surprising that the embettled Japanese premier, Mr Nakasone, has yet again promised that correcting the trade imbalance with the US is his top priority for 1986.

Economists are likely to regard this fuss with some emusement, end enquire superciliously whether the Americans have never heard of a J-curve; and certainly the British business community, with its long experience of balance-of-payments crises, would be more philosophical in present circumstances. They know that the initial effect of a devaluation is to make imports already ordered (and sometimes already at sea when the currency moves) more expensive. It is only after a time-lag that the shift in prices leads to e shift in the balance of new orders. Even then it will require some budget-tightening at home to alter the relationship between national income and national expenditure, which ultimately determines the balance of payments.

America, however, is used to a strong international position, and tends to believe in quick-fix cures. Having learned painfully that an overvalued dollar—initially greeted as e symbol of national virility—hurts US traders, they seem to have believed that a currency correction would deliver an instant cure.

Politically, then, the trouble is potentially serious, and it is certainly so regarded in Japan. While Europeens have tended to regard this squabble as a distant side-show, Japanese official publications speak in doom-laden terms of a crisis for the whole world trading system. This is partly a metter of perpective: Japan, as the world's most successful exporter, bas most at stake. Partly, though, it is a matter of sheer frustration. The Japanese Government appears powerless to alter its own collision course.

The Japanese, who have analysed the prohlem adnaoseum, are well aware that their surplus reflects not only their great success as manufacturers of consumer goods, but their extraordinary national propensity to save rather than to spend. Their first reaction, however, is not to seek ways to achieve a more normal balance, but to defend their oddity. They explain that the country is simply providing for a future in which there will be a rise in the national pension hurden which dwarfs the problem faced, for example, in Britain, though even here it is forhidding enough to persuade the Government that past hipartisan pension commitments are insupportably expensive.

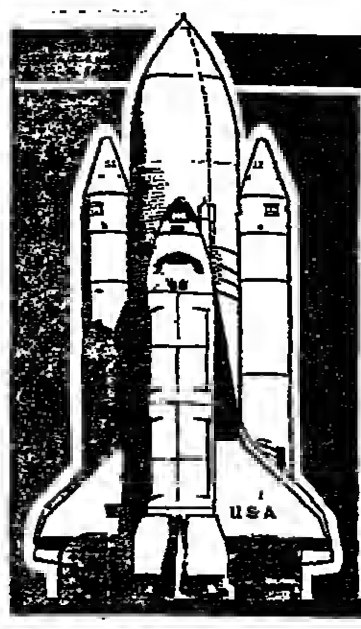
However, Japanese natural thrift is exaggerated by the operation of silly tax rules—notably the "maruya" exemption of interest on small savings account from income tax. Allied with a steeply progressive income tax system which Imposes high marginal rates on the middle classes, this has led to massive tax evasion. Japan's 120m population holds nearly 400m exempt "individual" savings account—well over half the total assets of the Japanese population. Attempts to reduce or eliminate this loophole have proved politically impossible; those who favour sane housing finance in this country will know that this is probably a literal truth.

In the past, it is true, Japanese savings have been largely ahsorbed by domestic investment; but in the post oil-shock era industrial investment bas fallen very sharply. Indeed, it is this decline which chiefly explains the rise in the Japanese current account surplus. Part of it is due to the rush by Japanese industrailists to set up overseas plants to escape possible protectionist barriers to their direct exports. Since this inevitably increases the trade surplus which provokes protectionism, it is a rather self-defeating precaution.

Reforms

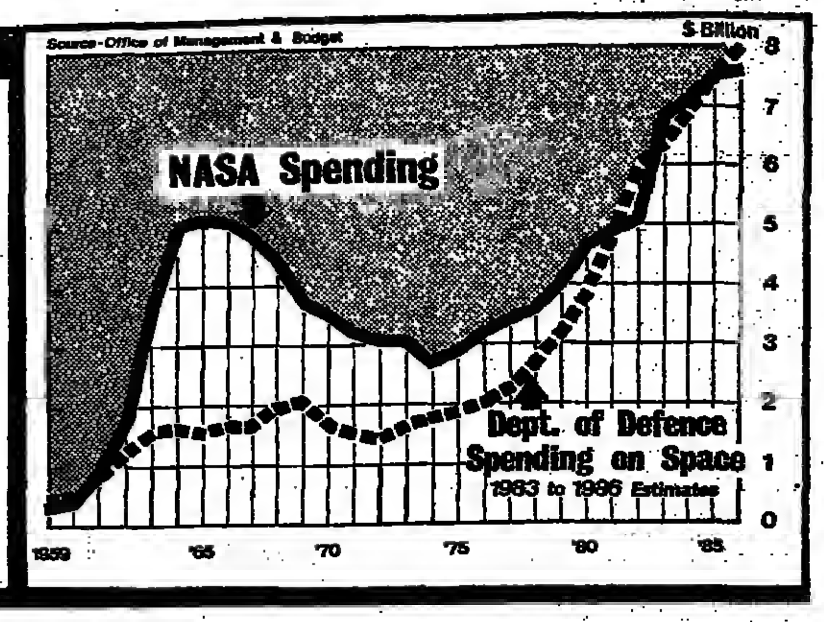
While Japanese tax rules encourage savings, they provide no incentives for investment; bnt in the US, tax loopholes mainly encourage borrowing and investment, but no saving. Thus tax reform in both countries, encouraging a move towards fiscal neutrality between spending an dsaving, both personally and at the level of tha enterprise, would in the long run have a strong effect on national thrift and tha balance of payments. Reforms on these board lines are indeed on the agenda both in Tokyo and Washington.

Unfortunately tax reform is a slow and uncertain process, while trade imbalances, and the distress of the US farming and heevy industry sectors, are pressing matters. The fact that Japan is already in—by its standards—a recession, while the US may find that its budget-cutting efforts, now partly under the hlind control of the Gramm-Rudman-Hollings amendment, will also be deflationary, will only heighten the political tension. If Europe cannot forget its parochial concerns enough to make a strenuous effort as an honest broker, we may all be caught in the protectionist machinery.



KEY DATES IN SPACE

1946. US employs 500 German rocket workers (previously on German V2 programme) at US Army White Sands Proving Ground in New Mexico.
1956. US Navy starts work on Vanguard scientific satellite.
1957. Launch of Sputnik 1 galvanises US space programme into action. Months later, rocket carrying Vanguard blew up on pad at Cape Canaveral.
1958. US launches first satellite—Explorer 1—and forms National Aeronautics and Space Administration to take charge of civilian space ventures.
1959. First seven US astronauts chosen under Project Mercury.
1961. Yuri Gagarin, world's first spaceman, enters orbit.
1962. John Glenn, first American in orbit.
1966. First docking in space, between two-person US Gemini capsule and unmanned spacecraft.
1968. First manned orbit of moon by three astronauts in Apollo capsule.
1969. Two US astronauts touch down on moon in Apollo 11.
1973. Skylab, US space station, enters orbit and is visited by three teams of astronauts.
1975. Docking between Soviet and US space vehicles at height of detente.
1981. First flight of US space shuttle.
1984. Three Soviet cosmonauts set up 237 day record for living in space.



THE US SHUTTLE PROGRAMME

Not necessarily the best way to space supremacy

By Peter Marsh

THE US space programme—for nearly 30 years a symbol of the imagination and aggressiveness of the country itself—is facing its most difficult period in the wake of the explosion on the space shuttle Challenger which killed all seven crew members.

As technicians et the US National Aeronautics and Space Administration continue their hunt for clues as to what caused the disaster, the inevitable question has arisen: is the US pursuing the correct strategy for space ventures which, split roughly equally between civilian and military missions, cost the country $15bn a year.

In particular, attention will be paid to the desirabiliy of hasing the programme on manned space flights of the technologically advanced hut expensive space shuttle, whose development has cost the US taxpayer roughly $30bn in today's prices since 1972.

Is the disaster, as representatives of the aerospace community claim, no more than a hiccup in mankind's exploration of the cosmos? "It will put back the programme hut not hy very much," says Mr Deke Slayton, an astronaut chosen in 1959 for Project Mercury and now a Houston businessman. "If people stopped doing things every time they hit a problem, they wouldn't progress very far."

The events of the week, even if they fail to change the space programme in the short term, do, however, highlight criticisms in the US of the country's space activities.

For some time, critics have argued that the long-term goals for space bave not been properly thought ont and thet the chosen strategy based on the shuttle contains serious flaws.

Looked at historically, the shuttle development is one in a line of US "space spectaculars" which have guaranteed a great amount of excitement and attention but which, put together, add up to a less than a coherent whole.

The entire direction of the US space programme was, with hindsight, shaped by one key event: Nasa's decision in October 1963 to go to the Moon hy way of injecting a spaceship into lunar orbit and from there descending to the planetary body.

This decision meant the US was able to reach the Moon by the quickest and easiest route. But, especially in the light of the abandonment of Moon missions in the early 1970s, it led the US to pour its resources into a project with very few benefits for future space missions—a technological blind alley.

The lunar orbit strategy was initially opposed hy some key figures within Nasa, among them Wernher von Braun, doyen of the agency's rocket engineers who led Germany's V2 missile programme during World War Two.

This faction wanted to pursue an "Earth orbit rendezvous"—the placing in e low orbit some 200 miles above earth of a space platform froto which the journey to the Moon would have begun.

A manned platform of this type has many attractions—not just to the US hut the USSR, the country's chief rival in space. It can act as a base for missions further into the solar system or for satellite launches and as a laboratory from which to conduct experiments in space-based materials processing, an activity which could lead to new substances produced in the exotic conditions of zero gravity.

From a military point of view an orbiting platform allows defence engineers to keep watch on the territories of potential enemies or to plan the kind of space battles, using devices such as laser guns to shoot down opposing spacecraft or missiles, now envisaged under President Reagan's Strategic Defence Initiative.

In the US, the military establishment bas sought such "high ground." The US Air Force's plan to develop its own space platform—the Manned Orbiting Laboratory—was cancelled in 1969 as a result of budget cuts.

Nevertheless, the plan is by no means dead. The Air Force has spent nearly $3bn boilding its own space shuttle launch centre at the Vandenberg air base in California. Unlike Nasa's launch centre et Cape Canaveral, the Vandenberg centre can put space craft in orbits with a high angle of inclination to the equator that covers the Soviet Union. This is just the kind of space surveillance vehicles of interest to the military.

The second main thrust of the US space programme occurred in the early 1970s, with Skylab, a makeshift space station built from the empty first stage of a Saturn rocket. This was a programme borne of expedience and of shortage of funds.

Only three manned missions to Skylab took place and the station itself lost orbit in 1979, with bits of it landing on Earth amid a welter of puhlicity.

During the run-up to the triumph of the lunar landings, Nasa attempted, somewhat belatedly, to lohhy for political support to put the programme back on even keel with an Earth-orbit space station.

By now, however, space activities bad lost much of their appeal. With Presidents Kennedy and Johnson, the two great political advocates of space missions of the 1960s, either dead or in retirement, and with the draining effect, both on morale and finances, of the Vietnam war, neither Congress nor the American people were in a mood to sanction more orbiting extravaganzas.

What followed was a compromise. President Nixon, in 1972, gave his support to the huilding of a reusable vehicle — the shuttle—that would support operations in low Earth orbit. But there was no money for the space station that, logically, should have been already in existence for the sbuttle to service.

The development of the shuttle fleet—the third phase of the US space programme—was subject to tight budgetry constraints.

As a result, the first shuttle flight in 1981 was three years late. The hill was nearly twica in real terms than originally envisaged.

The 24 shuttle flights prior to this week's disaster have not been an unqualified success. Partly due to competition from Western Europe's Ariane rocket, demand for one of the fleet's prime jobs—lifting communications satellites into orbit—has been lower than expected.

The shuttle fleet and Ariane, the latter a relatively uncomplicated expendable rocket, roughly share the market of taking into orbit communications satellites, a business worth some $500m a year.

Nasa has also heen unable to bring down the costs of individual missions as quickly as it would have liked. A shuttle trip of a week to 10 days costs $50m-$100m, only a small fraction of which is recouped in fees from commercial customers. Before the Challenger accident, Nasa had been hoping shuttle flights would pay for themselves by 1990.

Many of these setbacks are due to an inherent design flaw in the shuttle. The vehicle had to satisfy three quite different requirements. It bad to lift people above the atmosphere to the fringes of space; to place communications satellites in the much higher geostationary orbit 22,000 miles above the Earth; and to inject into low orbits the very large spy satellites used by the Pentagon.

This last task followed from the deal that Nasa bad to strike with the Defence Department to win financial backing in the early 1970s. The Pentagon swung its weight behind the project on condition that the shuttle had a payload bay that could lift into orbit a spy satellite of 10-20 tons, a weight too big for many orthodox rockets.

As a result, the shuttle was ferced to become an unsatisfectory amalgam of three different vehicles.

With the shuttle development programme finished, Nasa has started in the past three years its fourth thrust into space. It has persuaded President Reagan, though not necessarily Congress, of the wisdom of returning once more to the goal of a manned space station.

To sugar the pill, Nasa is proposing a significant amount of international co-operation, both to keep down costs and as an instrument of foreign policy to cement ties with its Western allies. The space station is due to be in orbit by the mid 1990s at a cost of some $12bn.

The space station has, however, come under heavy atteck, both on cost grounds from critics in Congress and from the scientific community, who suggest that the project will drain cash away from more modest space ventures.

In retrospect, the "fits and starts" nature fo the US space programme looks in some ways less sensible than the less glamourous space programme of the Soviet Union.

The early Soviet space projects were marked by a stuntsmanship characteristic of Nikita Krushchev, the Soviet leader.

But after this, the Soviet manned space programme settled down to a sustained process of building np expertise in keeping people in orbit for prolonged periods. The strategy involved two elements — Soyuz capsules lifted into orbit using conventional expendable rockets and a series of Salyut space stations, the first of which entered orbit in 1971.

Following the six Moon landings of the Apollo programme, the Soviets gained the initiative. After the last of these in December 1972, in a major lull in US space exploration, the US managed just four more manned missions (three Skylab flights and a joint space venture in 1975 with the Soviet Union) before tha first shuttle launch in 1981.

In contrast, during the sama period, the Soviet Union leunched 32 manned space trips, most of them to the Salyut beses. The latter (the latest, Salyut 7 is still in orbit) are by American standards technically rudimentary hut functional enough to act as home for teams of Soviet space farers for up to eight months at a time.

The Soviet Union is poised to move into the next, logical, stage of its space ectivities by launching in the next two years an ambitious successor to Salyut 7 which would have room for up to six or so cosmonauts.

The station would house Soviet people on a permanent basis. Crews would be rotated.

As a result of the Soviet experience over the past decade with the Salyut stations, the country is, it appears, mnch closer than the US to exploiting the long-term military and commercial benefits of maintaining a presence in low Earth orbit.

What is responsible for the jittery nature of the US space programme?

There are four main reasons for manned space missions. In decreasing order of importance, these are to maintain national prestige; to safeguard defence; to produce economic benefits through technical spin-offs; and to obtain scientific knowledge in a spirit of adventure and inquiry.

The economic spin-off and science arguments for venturing into space have always been low down the list of priorities. Economists have, indeed, produced piles of papers describing the spin-offs to the civilian economy of the US space programme of the 1960s, encompassing everything from medical equipment to computers and higher productivity in factories.

Yet the direct value to civilian activities of space work is probably minimal. The popular assertion that the Apollo programme led to the miniaturisation of electronic circuitry and the development of the microprocessor is mistaken. Such miniaturisation resulted, in fact, largely from the Pentagon's requirement for powerful, compact control hardware for use in the Minuteman missiles of the early 1960s.

In the 1960s, however, the four imperatives came together, or rather President Kennedy and his supporters welded them together. As Professor Walter McDougall, a professor of history at the University of California, comments in a recent study* of the space age: "Prestige, co-operation, emerging world force, viable socio-economic systems, a new frontier—Kennedy may not have known much about space, but he knew appealing slogans."

With the political and technological resources available to them, Kennedy and Webb achieved their short term goal of putting people on the Moon. Since it was not their aim, perhaps it is not surprising that they failed to lay the groundwork for a logical space programme.

What of the future? The US space programme will not stop. President Kennedy's successors are destined to struggle on with the legacy that he left them. US citizens and Russians, too, are likely soon, perhaps in the next century, to start to occupy the moon and then other planetary bodies.

As with the space shuttle missions, this will be done in a less than perfect way; clumsily, inefficiently, and with some loss of life. But the fact of the accomplishment will probably be seen at that time as immeasurably more important than the details of how the goal is achieved. That is exactly the point President Reagan was making on Tuesday evening when he said on television that the future would not belong to the fainthearted.

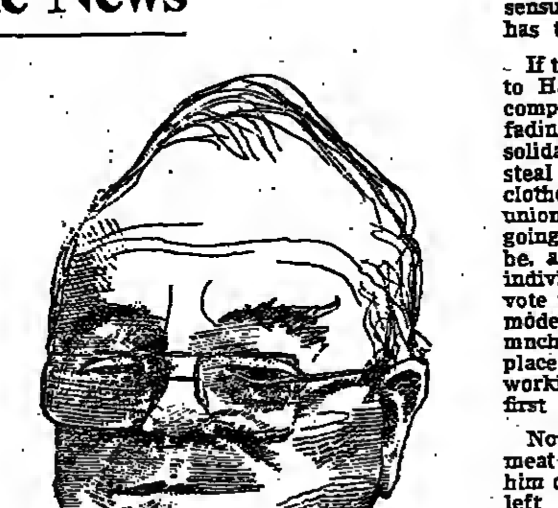
** The Heavens and the Earth, Walter McDougall, Basic Books, New York.*

Man in the News

Eric Hammond

'You ain't seen nothing yet'

By John Lloyd



SIR FRANK CHAPPLE, the former general secretary of the electricians' union (EEPTU), is said to have murmured of his successor on retiring something to the effect that: "If you think I'm right wing, wait till you see Eric." There is something in that story even if it is apocryphal; Eric Hammond has constantly lived up to his famous challenge to the TUC Congress last September "You ain't seen nothing yet."

A once devoted communist Chapple became and remains a devoted anti communist. He broke the grip of the corrupt communist-led executive, and replaced it with a disciplined leadership, heeded by himself, which owes its position to national and regional postal ballots. All agreed that the union had to be restructured to downgrade the role of its activists and branch officials. Chapple bequeathed to Hammond a union where the left had been reduced to e powerless rump where the hallot was an article of faith and where the approach to employers was collaborative, with industrial action held as far in reserve as possible.

But Chapple never seriously took on the TUC; indeed, in its heyday of power in the 1970s, he was an infinential member of its inner councils. He fulminated against the drift to the left, in the late 1970s and early 1980s, hut to the frustration of other right-wingers preferred to bellow against it from outside the walls rather than join their plans to change it.

Himself once a left-winger, Hammond came to national attention in 1980 when as executive member for the south east he led his and other members into the Isle of Grain power station in Kent through picket lines of insulation workers from another union who claimed that Hammond's people were depriving them of a job. When he took over from Chapple two years ago, he was seen as a man possible more emollient than anxious to prove his right-wing credentials with the hard-right executive.

Wrong. Hammond has fully developed a style of trade unionism which was only latent under Chapple. He accept that the market is the prime economic force. He seeks to secure for his members agreements which increase the productivity and profits of their companies as well as paying good wages too. And he believes in consultation.

This is the significance of the so-called "no-strike" single union agreements which he and his colleague Roy Sanderson have developed. They are features (as they see it) of Japanese practice—high productivity, strong commitment to work, single status for management and workers, and a consensual decision-making style. They have so far succeeded mainly in subsidiaries of Japanese companies in the UK, though elements are now appearing elsewhere.

The Idea got oblique and surprising endorsement from Mr Neil Kinnock, the Labour leader, when he commended Japanese industrial organisation in a speech two weeks ago. The deal at Mr Rupert Mordoch's Wapping print plant is in line with this philosophy, though much more audacious for the colluded with News International to supplant the print unions in a manner at once more devious and more blatant than before.

He has thus attracted the moral censure of the other members of the TUC General Council, who fear the same thing may happen to them. The Council's right wing, which had begun to see in Hammond a role model, was in some cases more furious than the left.

He may, however, have dona the right a long-term favour. As the more thoughtful of them are beginning to realise, modern trade unionism, which expects to survive and prosper in a Thatcherite or post-Thatcherite occupying the place set aside for it within the social consensus of the past 30 years. It has to prove itself.

If there is to be an alternative to Hammondism which is not composed in the public mind of fading calls for an unattainable solidarity, someone will have to steal some of Mr Hammond's clothes. Before Wapping, many union leaders were already going down the same track as he, arguing with him that the individual member's right to vote must become enshrined in modern trade union practice much in the way that the workplace meeting, the forum for working people, had been for its first century and a half.

Now they find he is too strong meat and are of a mind to spit him out. But what will they be left with? And what will they offer members-to-be if a membership war develops? Interestingly, Arthur Scargill, ever quick off the mark, has drawn attention to the National Union of Mineworkers' package of financial benefits for its members following the unveiling this week of the electricians' marketing pitch of financial services for members. This was not something on which Mr Scargill had sought to build NUM's reputation when he became its president, but he can see a cold wind blowing if others do not.

Mr Hammond now has to decide whether to take his defiance of the canons of the TUC to the limit—and beyond and so allow himself to he suspended. He faces a huge challenge in establishing an alternative trade unionism outside the TUC. He will be fought all the way.

He may also face soma qualms from within his own ranks, hut he has a fighting chance this time given the post-war nadir of the TUC's influence. His intelligence and will are equal to those of his predecessor. He is as rational and as modest a man as the union movement possesses. But if he is no longer to be possessed by it, he must have a sense of strategy and patience, for a long campaign

BASE LENDING RATES

ABN Bank	12½%	■ Guinness Mahon	12½%
Allied Dunbar & Co.	12½%	■ Hambros Bank	12½%
Allied Irish Bank	12½%	Heritable & Gen. Trust	12½%
American Express Bk.	12½%	■ Hill Samuel	‡12½%
Amro Bank	12½%	C. Hoare & Co.	12½%
Henry Ansbacher	12½%	Hongkong & Shanghai	12½%
Associates Cap. Corp.	12½%	Johnson Matthey Bkrs.	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	13 %
Bank Hapoalim	12½%	Lloyds Bank	12½%
Bank Leumi (UK)	12½%	Edward Manson & Co.	13½%
BCCI	12½%	Meghraj & Sons Ltd.	12½%
Bank of Ireland	12½%	Midland Bank	12½%
Bank of Cyprus	12½%	■ Morgan Grenfall	12½%
Bank of India	12½%	Mount Credit Corp Ltd.	12½%
Bank of Scotland	12½%	National Bk. of Kuwait	12½%
Banque Belge Ltd.	12½%	National Girobank	12½%
Barclays Bank	12½%	National Westminster	12½%
Beneficial Trust Ltd.	13½%	Northern Bank Ltd.	12½%
Brit. Bank of Mid. East	12½%	Norwich Gen. Trust	12½%
■ Brown Shipley	12½%	People's Trust	13½%
CL Bank Nederland	12½%	PK Finans. Intl. (UK)	13½%
Canada Permanent	12½%	Provincial Trust Ltd.	13½%
Cayzer Ltd.	12½%	R. Raphael & Sons	12½%
Cedar Holdings	13 %	Roxburghe Guarantee	13 %
■ Charterhouse Japhet	12½%	Royal Bank of Scotland	12½%
Citibank NA	12½%	Royal Trust Co. Canada	12½%
Citibank Savings	¶12½%	Standard Chartered	12½%
City Merchants Bank	12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N. East	12½%	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Continental Trust Ltd.	12½%	Whiteaway Laidlaw	13 %
Co-operative Bank	*12½%	Yorkshire Bank	12½%
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	[illegible]		

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%. 1-month 9.03%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9% gross.

¶ Mortgage base rate.

Pontiff on a rough passage to India

By John Elliott in New Delhi

SEVERAL THOUSAND Hindus marched through the southern state of Kerala recently to the beach where St Thomas, the Apostle, is believed to have landed in the first century to found Christianity in India.

They were protesting against the construction of a huge temporary podium from which Pope John Paul II will say Mass next Saturday, and which many fear may become a point of pilgrimage for India's 14m Christians.

The march demonstrates the sensitivity here about the Pope's 10-day tour of India which starts today. The Pope himself is aware that he may provoke hostility and unrest if he either appears to be trying to convert Hindus to Christianity or preaches against voluntary sterilisation and other artificial methods of birth control.

An alleged assassination threat has been received in the southern city of Madras where posters have appeared opposing the visit. It is both a state and pastoral event because the Pope has been jointly invited by the President of India and Roman Catholic bishops.

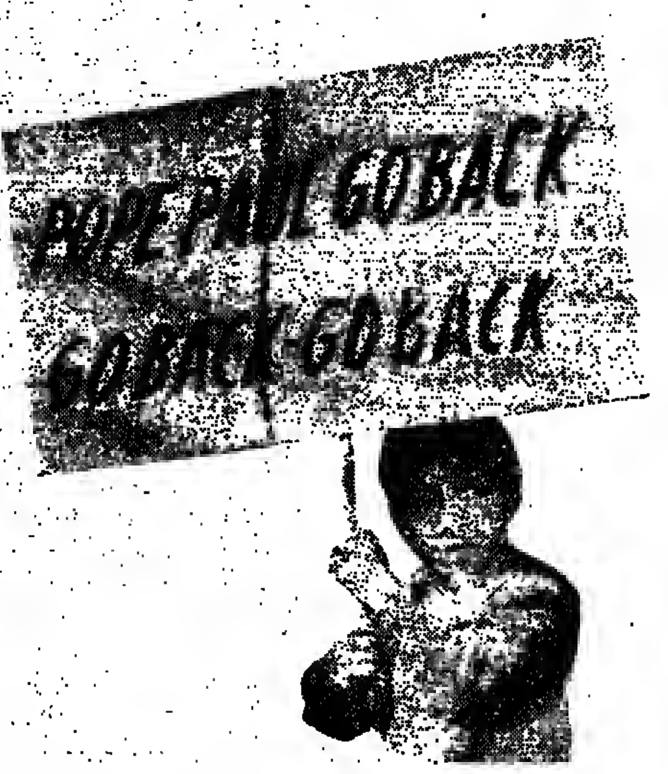
After meeting Mr Rajiv Gandhi, the Prime Minister, and the Dalai Lama in Delhi this weekend, the Pope will tour India for 10 days saying Masses to congregations numbering hundreds of thousands. He will end up in Bombay where he will briefly meet Dr Robert Runcie, Archbishop of Canterbury, who will be starting his own 19-day tour.

Such attention to India by Christian leaders raises suspicions among some Hindu extremists. They fear the power of missionaries and Christian conversions which can disrupt village communities, upsetting the power of local fiefdoms, endangering established political allegiances, and raising the ambitions of the poorest sections of India's 740m population, especially the 150m in scheduled castes and tribes.

With Catholics representing only 1.5 per cent of India's population (roughly the same number as Sikhs) out of 2.6 per cent Christians, and since India only provides 1.8 per cent of the world's Catholics, the cost of the Pope's extensive visit is being criticised both by Hindus and by left-wing Catholics.

St Thomas is credited with starting a Syrian community in Kerala, called St Thomas Christians who are now divided into Catholic, Protestant and Orthodox communities. The catholics in the area make up about 25 per cent of India's total of around 14m.

The next wave of Christianity came in the 15th and 16th centuries when the Portuguese invaded Goa on the west coast, instructed by their Church both to conquer and convert the people. They were followed by Portuguese Jesuit missionaries. As a result Christians provide the governing elite in Goa. Elsewhere in India, where conversion was less military, they tend to be found among the poor although Christians in top posts include the current chief of air force, senior politicians, and the Indian High Commissioner in London, Mr P. C. Alexander.



The third wave brought Protestants, starting in the early 18th century and building up with British rule. The Anglican Church was established and is now merged with Methodists, Baptists and Congregationalists into the independent Church of North India, which claims 700,000 members, and the Church of South India with 1.8m. Both churches and an orthodox group recognise the Archbishop of Canterbury as the world's leading Anglican bishop.

Missionary work in some states was shared out about 40 years ago between various Christian groups. Catholics predominate among the tribal population of the far north eastern state Meghlaya which is to be visited by the Pope. The neighbouring tribal states of Mizoram and Nagaland are Presbyterian and Baptist territories.

Missionary work among tribal communities in such politically unstable states close to borders with China, Burma and Bangladesh, often causes problems.

There are about 1,990 expatriate missionaries in India, including 1,285 Catholics. Their presence has been queried more closely by the Government since visa regulations were tightened 18 months ago, originally to keep extremist Sikhs out of the country. Six elderly missionaries working with tribal communities in the central Indian state of Madhya Pradesh were asked to leave last year but have yet to go. "People complain when we lift up poor people who have provided cheap labour *for middle men*," says Angelo Fernandes, Catholic Archbishop of New Delhi.

Liberation theology has similarly made its mark in India's often violent social disturbances, with Keralan priests demonstrating in support of poor fishermen whose catches have been lost to fleets of commercial trawlers.

"India still has to catch up with many economic freedoms, and in backward areas poor people are in thrall. So priests have to lead where there is not sufficient lay leadership and they then become a thorn in the side of the better off," says Archbishop Fernandes, cautiously condoning action which has split his church.

Hindus are also suspicious that since the Second Vatican Council in the early 1960s, Hindu customs have been absorbed into the Catholic church. For example in the south, Catholic congregations bow their beads to the floor in the Panchanga or Paman style of Hindus and Muslims. Such inculturation, as it is called, is seen as a form of subversion of poor illiterate communities.

Both Archbishop Fernandes and Mr Krishna Kumar, India's Deputy Public Health Minister, say they believe the pope will not say anything about birth control, though they deny that there has been any private diplomacy to stop him speaking against artificial methods which are about to be propagated by the Government in a new R32.5bn (£1.9bn) five-year publicity and development programme.

Social workers say that Catholics often accept artificial methods, and that sterilisation of women has even been tacitly accepted by some senior South Indian clergy. But Archbishop Fernandes rejects this.

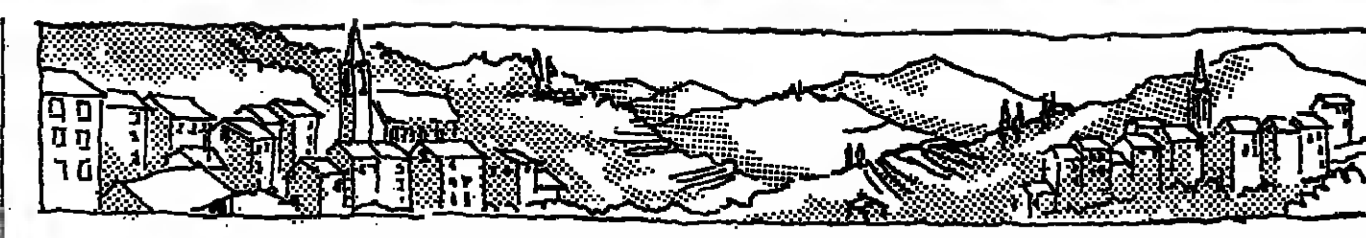
"The best possible contraceptive pill is development. We don't want the thinking of the West imposed on us. We propagate responsible parenthood based on an ovulation method programme which is 98 per cent successful," he claims.

Government officials are highly sceptical about such claims although Mr Krishna Kumar tactfully says: "Our programme embraces all methods of family planning."

Sterilisation of women is the method favoured by the Government which hopes that 19m people will accept some form of artificial birth control this year.

A programme of advertising backed by local volunteer workers is about to be launched to persuade people not to have more than two children, to stop child marriages, to have children immunised at birth, and not to continue having children until a son is produced.

India's population problem is acute. The Government estimates that since 1951 when family planning work began, 71m births have been averted. But during that time the population has doubled and the birth rate is still as high as 33 per thousand. Since a Pope last visited India in 1964 the population has grown by over 250m, more than the entire population of the US.



Alan Friedman takes a car to Quindici in southern Italy

In the village of the godfathers

HAVE YOU ever wondered what life might be like in a tiny village in the south of Italy, a village which is ruled by the Mafia? To find out, just hire a car in Naples and drive 35 miles due east, up steep and curving hill roads, into the rough terrain of the Appenine mountain range. There, if you ignore the warnings of the local Carabinieri ("Don't go to that town. It is squalid"), you will come to the village of Quindici, where 3,000 inhabitants live in relative poverty, earning a living by cultivating hazelnuts.

For 25 years Quindici has been run like a medieval fiefdom by one family — the Grazianos. Over the years its members have served as mayor only to be arrested in rapid succession for murder or conspiracy or collusion with the Camorra, the Neapolitan version of the Mafia. A few weeks ago, however, the brave citizenry of Quindici stopped cowering, emerged from their broken down houses of grey and pink stone and, with the support of the Italian state, held a free election — the first since 1960 — to choose an untainted city council.

Welcome to Quindici: the village that refused to die.

In recent weeks the village has recieved national media attention. It has been billed as a place where the Camorra has been beaten by an unusual coalition of Communists, Christian Democrats, Socialists and Republicans, an assortment of parties which does not, as a rule share a ticket.

The mayor-elect of Quindici is 55-year-old Mrs Olga Santaniello, who runs the town's only pharmacy. Mrs Santaniello, is less than 5ft tall, dresses in black and has never before had political aspirations. She joined the Christian Democrat Party only a few weeks before the historic election of January 12, when her coalition, with its emblem of the scales of justice, triumphed over the opposition by 834 votes to 667. The opposition, although it did not contain a single member of the Graziano clan, was seen as representing the old traditions.

So bad was the reputation of the Graziano family that in 1981, Mr Sandro Pertini, then President of Italy, personally stepped in to dismiss the then mayor — Raffaele Graziano. But despite the view of Italian officials that Mr Graziano was a key ally of Mr Raffaelle Cutolo, the leader of the new Camorra, — the people of Quindici will not say a word against the Grazianos.

"We only know that they were good administrators," says a municipal employee, adding that "if they had other activities we did not know about them, and besides, it was none of our business."

If you listened only to the citizens of Quindici you would think the Graziano family was philanthropy incarnate. A state official in nearby Avellino explains that "the Grazianos lavished money on selected citizens of Quindici, just like a feudal lord would dispense largesse." When they were not being generous with their subjects in Quindici the Grazianos were, it appears, co-operating with the Camorra, an organisation known for murder, extortion and embezzlement of state funds.

The first Graziano to become Mayor of Quindici was Fiore, who took office in 1960. For 12 years he ruled the town as a kind of benevolent dictator, until, one day in 1972, while he was sitting at a local football match, a man with a revolver shot him repeatedly at close range.

For four years the town went without a mayor and then Raffaele Graziano, Fiore's brother, took over. Raffaele seems to have been a Godfather figure, and his involvement with the Camorra got him arrested on murder charges. But he was acquitted and was once re-elected mayor from a prison cell).

When Raffaele was dismissed by the Italian President, he fled to Switzerland. Soon afterwards, in June 1983, the blitz against the Camorra saw hundreds of arrests in the Naples area. Last year Raffaele Graziano was arrested in Geneva, extradited, tried and convicted of organised criminal activities. Despite this, it is impossible to find anyone in Quindici who will even imply that Raffaele was not a "good administrator."

Take, for example, the village priest, Father Domenico Amelia, known affectionately as "Don Mimi." Was Raffaele Graziano involved with the Camorra? "Here he seemed a good person, a generous person. I suppose he might have had a split personality," says the leader of the Roman Catholic community of Quindici.

But surely, Don Mimi, the Graziano family was part of the Camorra? "I think there are not more Camorristi here in Quindici than elsewhere. And one does not see the Camorra." Seated in his drawing room, a wood fire belching smoke into the house, Don Mimi leans forward and almost whispers: "You must understand that the Camorra moves about at night, in the shadows, in the dark."

After the disappearance of Raffaele, the next Graziano to take office was 23-year-old Eugenio, a nephew. Eugenio held office for 28 days in the autumn of 1984. Then he was arrested on charges ranging from accessory to murder to extortion.

The last Graziano to take the hot seat at Quindici town hall was Carmine, who was not yet 21 when he became mayor in January 1985. Pledging that "I am not with the Camorra," the young Carmine, a part-time law student at the University of Naples, lasted 73 days before resigning. Unshaven, Carmine Graziano sits sipping coffee in his mother's kitchen in Quindici, and reflects on his brief political career.

"I was too immature to be in politics, but I wanted to prove something. Of course when the Carabinieri accused me of being in the Camorra I resigned in protest," he explains. His mother says her son, the ex-mayor "is a good boy. He studies hard."

With the resignation of Carmine, the 25 years of Graziano rule came to a close in Quindici and a special commissioner moved in. Dr Costantino Ippolito, the vice-prefect of nearby Avellino who supervised last month's elections, says his first step was to "reinforce police visibility, to show the people that the state would protect their democratic right to a free vote."

And so, with much fanfare and not a little trepidation, the town's chemist led a state of 16 "scales of Justice" candidates to victory. Quindici is a small place, so you would have had to be local to distinguish some of the names on the ballot. For Example, the mayor-elect Olga Santaniello, was one of five Santaniellos (two Santaniellos, of different parties, had the same christian name, Salvatore). There were six Scibellis as candidates, including two Carmine Scibellis.

The new mayor of Quindici agreed to be interviewed by the Financial Times and within 30 minutes she had assembled in her shop several members of the new town council, including two other Santaniellos, one a Socialist and the other a Communist. The new politicians spoke proudly of the 150 graduates from Quindici, although they noted that more than 50 per cent are unemployed. They spoke of emigrants from Quindici, saying there are "little Quindici" communities in London, Boston and Frankfurt, all remitting earnings to the village.

Even though they are all members of the coalition which beat the Camorra, no one would speak ill of the Graziano family. Mr Salvatore Santaniello of the Socialist Party did say that "the blood of the underworld is two steps from where we sit." But others, seated on little wooden stools in Olga's shop, looked uneasy at this comment.

Then the mayor-elect was asked if the election proved that 25 years of Camorra rule had finished, that the Grazianos had finally been beaten. The shop suddenly fell silent. No one moved for what seemed an eternity.

Could the silence be taken as a comment, the new mayor was asked. "Our silence is a comment, yes," replied the brave Olga Santaniello, indicating that the interview was over.

From the narrow hill road which winds into the mountains above Quindici one sees only a collection of houses with battered tile roofs. In a trattoria less than a mile from Quindici the owner winces slightly when asked to comment on last month's election. Like the Carabinieri up the road, he asks: "What do you want to see there for?" Finally, when pressed, he gives his view "Ah, Quindici. What a place. Mafia, Camorra. It is another world. Frankly, when it comes to Quindici, we just don't want to know."

Letters to the Editor

Manufacturing industry

From Professor A. Thirlwall

Sir, — I thought Professor Maynard's article (January 29) on why the UK's trade deficit in manufactures does not matter was extraordinarily complacent. As an academic economist who is at the Chase Manhattan Bank he can perhaps afford to be. But what of the lot of the unemployed, or of the average citizen whose real income has grown slower than in any other country in Europe over the post-war years such that Britain, once one of the richest countries, now ranks only 17th?

The source of this malaise lies in the weakness of the foreign trade sector, and the only suggestion that Professor Maynard can make is the old tired and worn solution of a decrease in the real exchange rate, as if the demand for goods depends only on price and nothing else. Has he forgotten his economic theory, and has he not read Lord Aldington's excellent report on overseas trade and the supporting minutes of evidence? *If* nothing is done, the alternative, as Maynard recognises, is further slow growth to adjust the balance of payments as the oil surplus dwindles. He grossly underestimates the seriousness of the situation.

The initial imbalance is worse than he and others recognise, and the cost of adjustment may be negative growth. If the growth rate since 1979 had been at *its full* capacity rate, and unemployment at its 1975 level, the deficit in the balance of trade in manufactures would be far in excess of the actual deficit now experienced. It is true that the deficit in manufactures is no doubt partly a mirror image of the surplus on oil, but the level of activity at which these balances now occur is intolerable in *a civilised society* which makes the magnitude of the task of adjustment all the more difficult if there is ever to be a return to full employment. On the second point, one simply cannot guarantee that the real exchange rate will fall, or, that if it does fall, the balance of trade in manufactures will adjust sufficiently without the necessity for income adjustment. *These are legitimate* causes for concern.

(Professor) A. P. Thirlwall.
Keynes College, The University, Canterbury, Kent.

Living on boats

From The Managing Director, Turner Marinas

Sir, — In the article by David Lawson "When home is a houseboat" ... of this company was given as a contact. Since the article was mainly about the difficulties and problems experienced by people when living or seeking to live on boats, the impression has been given that we provide residential moorings on the Regent's Canal. In fact, the facilities we provide are strictly for non-residential craft; we aim to offer security and limited services for craft owners, most of whom live near our moorings, enjoy them in their spare time and take them on trips over the 2,000 miles of navigable river and canal in England and Wales. For security reasons, we do have at each of our moorings two or three especially prepared berths for residential craft, but these are solely for the use of caretakers.

Mary F. Turner.
57 Fitzroy Road, NW1.

Privatisation of water

From the Secretary, Water Authorities Association.

Sir, — The chairman of the CBI Water Panel (January 29) misrepresents the position of the water authorities about control of discharges to rivers. He *suggests* that "the water professionals would not want to lose" their regulatory function, as if this were a matter of whim or professional jealousy. But the issue is, in fact, one of basic principle. In its response to the Government's consultation paper on privatisation last spring, this association, acting on behalf of all the authorities, made the point strongly that one of the particular benefits of the 1974 reorganisation of the water industry was the uniting of the mechanisms for controlling discharges and abstractions with the planning of works required to provide services: this provided a basis for appraisal of sewage treatment works, discharge conditions, river water quality, river water uses and best use of the river resource as *an integrated whole*.

We argued strongly that if privatisation were to be carried out, it should be on the basis of retaining within a single structure, region by region, the operational management of the system and the functions of resource management and environmental regulation. We foresaw grave inefficiencies and duplication of effort if there were to be a return to anything on the lines of river authorities — essentially this would take us back to the pre-1973 conflicts ...

The argument has, of course, been advanced before, that a privatised undertaking cannot by definition exercise regulatory functions. Water authorities argue that it could, provide that essential safeguards for the public interest and for individual rights are built into it. We specifically sugested that whatever licensing authority might be established to oversee and regulate privatised water authorities, it should have the specific function of acting as the appellate body in respect of decisions by the water authority on trade effluent discharges and abstraction licences, and ratifying water authorities' own discharge consents and abstraction licenses—which are indeed already subject to government approval. There would thus be an appellate machinery to ensure that, in the exercise of these regulatory functions, the new authorities would deal equitably with private rights.

There are indeed difficult issues here, but I don't think discussion of them is helped by the somewhat cursory presentation by Mr Guy.

Andrew Semple.
1 Queen Anne's Gate SW1.

Views on public enquiries

From D. Mathew

Sir,—It was distressing to see such favourable prominence given (January 24) to the increasingly autocratic style of the Secretary of State for Transport.

Were there not a few omissions from this flattering portrait? How about some of the Minister's unsuccessful brushes with the law, over the GLC lorry ban, Severn Bridge tolls, and funding for London Regional Transport?

What is truly alarming however is the Minister's views about public inquiries. A few inquiries do take a significant time, but that is usually because the issues are complex or are badly planned and presented. It is just not true that inquiries take up a substantial part of the decision-making process. When the civil engineering EDC of the National Economic Development Office was examining ways of speeding up the implementation of road schemes Friends of the Earth and Transport 2000 were able to show that only 10 per cent of total time is taken up with inquiries and with the writing of inspectors' reports.

Mr Ridley seems to be giving clear warning that he intends to ignore those feeble democratic safeguards that still exist with the public inquiry system. Is this the way he intends to push through his Department's plans for £1½bn-worth of extra road schemes for London?

Don Mathew.
(Transport Campaigner), Friends of the Earth, 377, City Road, EC1.

The mantle of Machiavelli

From Dr L. Brookes

Sir,—In your editorial of January 28 you say it is clear that Mrs Thatcher has now told the truth. She may well have but has she told the whole truth?

A Minister's private secretary never exercises the Minister's authority other than for matters purely domestic to the private office. It is usual for officials to address memoranda to the Minister in the third person through the private secretary. If Mr Powell knew about a matter referred to Mr Ingham the most likely explanation is that Mr Ingham was using the usual route for informing the Prime Minister about it and since a PS would never presume to screen his Minister from a message from a senior official it is also likely that Prime Minister received the message.

The Prime Minister agrees that she was told of the leak—some hours after the event. This would be credible for a non-urgent matter but hard to credit for such a hot potato. Indeed it was so hot that if this was the first time the Prime Minister was to hear about the leak one would have expected an oral report with Mr Ingham asking Mr Powell if he could see the Prime Minister immediately. Since this did not happen the most likely explanation is that the idea of a leak was not news to the PM, which puts the message in the non-urgent category of a report of planned action carried out. This explanation would resolve one or two of the other mysteries — like the motive for stimulating the Solicitor General to write to Mr Heseltine in the first place, and the period of two weeks after the leak in which the Trade and Industry Secretary volunteered no explanation to the PM nor she seek one from him.

This mantle of Machiavelli would seem to sit more becomingly on the PM's shoulders than that of Fred Karno which you have bestowed upon her.

(Dr) L. G. Brookes.
16 Ipswich Road, Bournemouth, Hants.

N. Ireland's future

From Mr J. Burchill, MPA

Sir,—In charting future political structures for Northern Ireland, it is the inescapable duty of government to indicate the continuing relevance of "cross-community support," or to use another phrase formerly favoured by the Northern Ireland Office "widespread acceptance throughout the community." In signing the Anglo-Irish Agreement the Government embarked on a radical change in the status of Northern Ireland, which was thereby set apart from the rest of the kingdom as alone being a region where the views of a foreign power are to carry more influence than those of the elected representatives of the electorate therein. This contrasts with the policy "that responsibility for affairs in Northern Ireland is entirely a matter of domestic jurisdiction."

The electorate of the province has unequivocally demonstrated that opposition to present Anglo-Irish policy is overwhelming. "The Irish Times," itself no friend of Unionism, in its analysis of the voting statistics showed that over 77 per cent of the electorate rejected the Hillsborough accord. It should be noted that SDLP voters support the agreement for precisely the same reason that Unionists oppose it — namely that it gives the Irish Republic, in the words of their deputy leader, "a toe in the door." Sinn Fein alone sides with Mr King, in claiming that the Union is cemented.

If the principle of consent, or cross-community support, remains alive in government thinking then the Anglo-Irish Agreement must be consigned to the political dustbin. If it died at Hillsborough then the SDLP can bury any hopes it has of seeing "power-sharing."

Unionists do not, as Margaret van Hattem suggests, (January 28) want "membership of the Union à la carte." Unionists however believe that our people have the right to be offered membership of the Union table d'hote. At present we are being expected to dine at the transport cafe while our fellow countrymen, who live secure from the territorial claims of the Irish Republic, dine at The Ritz.

Justice and equality is our plea. We ask for nothing more, and can settle for nothing less.

Jeremy Burchill.
Northern Ireland Assembly, Belfast 4.

BUILDING SOCIETY RATES

	Share	Sub'pn	Other
Abbey National	7.00	8.00	8.75/9.00/9.25/9.50 Five Star acc.—instant access/no penalty
			9.50 Higher interest account 90 days' notice or charge
			5.50/8.81 Cheque-Save
			8.05/5.50 "City" Cheque-Save
Aid to Thrift	*9.20	—	— * Easy withdrawal, no penalty
Alliance and Leicester	7.00	8.00	9.75 Premium Plus min. £500, immediate withdrawal (penalty if balance left is under £10,000) interest annually/mthly.
			8.25 Gold Plus £2,500+, 8.75 minimum £500, immediate withdrawal, interest annually/monthly
			8.75 Banksave Plus balance £2,500+, 7.75 under £2,500 current account minimum initial investment £500
Anglia	7.00	8.00	9.25 Capital share 30 £500+ 30 days' notice/penalty
			9.50 Capital share 90 £500+ 90 days' notice/penalty
			9.75 Capital plus £10,000+ 90 days' notice/penalty ann. int
Barnsley	7.00	9.00	9.95 Summit account — £1,000+ — 3 months' notice
			8.85 Special invest. (28 days' notice) 8.85 monthly inc. a/c
Bradford and Bingley	7.00	8.00	9.50 No notice no penalty on up to 2 withdrawals per annum
			0.75 3 months' notice without penalty
Bristol and West	7.00	8.00	8.75 Plus account £1,000+. No notice. No penalty
			8.80 £10,000+, 9.55 £5,000+, £1,000+ 7-day notice Triple Bonus. Monthly income up to 9.55
			9.90 Special 3-month account, £5,000+, 3 months' notice
Britannia	7.00	8.00	9.80 Trident Super Gold
Cardiff	8.50	0.60	9.80 90 days' notice or penalty if balance under £10,000
Catholic	7.30	8.30	9.30 30-day, £1,000+ monthly interest reinvested/paid
Century (Edinburgh)	8.85	—	9.30 Guaranteed rate 2/3 years (or variable account)
Chelsea	7.00	8.00	9.85 Immediate withdrawal interest pen. or 3 months' notice.
Cheltenham and Gloucester	—	8.00	9.75 Cheltenham Gold. No not./pens. £10,000+ 9.75, £5,000-£9,999 0.50, £500-£4,999 9.00 Under £500 7.00, Mly. int.
Cheshunt	7.00	5.50	8.75 £5,000-£250,000, 9.25 £1,000-£4,999 instant acc. no pen.
City of London (The)	7.25	8.75	9.60 3 months' notice—no penalty—monthly income
			9.00 7 days' notice, immed. access for amounts over £2,000
Coventry	7.00	8.25	8.85 3-year bond £1,000+, close 90 days' notice and penalty, monthly income option, guaranteed 2.85 differential
			0.55 Moneymaker £10,000+, 9.30 £5,000+, 5.00 £1,000+ instant access no penalty, monthly income option
Derbyshire	7.00	8.25	5.75 3 months' notice. Up to 9.50 no not./pen. monthly int.
Frome Selwood	7.00	10.50	10.50 Gold Minor Account for 0-18-year-olds
Gateway	7.00	8.00	9.55 Gold Star £10,000+ No notice. No penalties. 9.30 £5,000+, 9.00 £1,000+ monthly interest available
Greenwich	7.00	—	9.75 60-day account (no notice account 8.75-5.25)
Guardian	7.65	—	10.00 6 months' notice £1,000 min. access to bal. £10,000+
Halifax	7.00	8.00	9.50/5.00-8.50/8.00 instant xtra (minimum £500)
			9.50 90-day xtra. 90 days' notice/no penalty (minimum £500)
			5.00 Cardcash (£2,000+), 7.00 (£1-£1,999)
Heart of England	7.00	8.25	9.80 and 5.55 High Interest. 8.50 Gold Key
Hemel Hempstead	7.00	0.50	9.50 Monthly Income, 8.75 28 days, 9.00 60 days
Hendon	8.00	—	9.00 7-day account. Minimum £500 3-month 9.75
Hinckley and Rugby	7.00	5.80	9.80 £20,000 High Rise wdl. no pen. Rate varies with balance
Lambeth	7.15	8.25	10.00 Und. £10K, 10.25 ov. £10K meg. a/c S w + loss of int.
Leamington Spa	7.10	—	9.25 £20,000 min. Spa In. mly. no not./pen., 8.75 £5,000 mm.
			9.50 High flyer—no notice/no penalty £10,000 minimum
			9.25 High flyer—£5,000 minimum, 5.00 £500 minimum
			10.15 Super share no not. 14 days' penalty £20,000 minimum
			9.85 Super share £5,000 minimum. 9.55 £2,000 minimum
Leeds and Holbeck	7.00	8.75	5.80 Monthly interest. 9.25 28 days', 9.80 60 days' notice Up to 5.60 immediate access—no penalty
Leeds Permanent	7.00	8.00	8.50 HRAS 3 months' notice. Liquid Gold 9.00 £500+, 9.25 £5,000+, 9.50 £10,000+. No penalty/no notice
London Permanent	7.75	—	9.00 28 days' notice or immed. wdl. no pen. if bal. £5,000+
Midshires	7.00	—	9.50/9.00 instant access/no penalty £100 minimum balance
			10.00/9.75 £1,000 minimum balance, 30 days' notice/penalty
Mornington	9.10	—	9.10 £2K, 9.25 £2K, 9.35 £10K+, 9.50 £20K+
National Counties	‡7.30	8.55	8.80 90 days' notice, no penalty £10,000+. ‡ £1,000
National and Provincial	7.00	8.00	8.50 APEX 3rd iss. (+2.50 gtd. 3 yrs.) 60-day notice/penalty
			8.60 Special share 60-day notice/penalty unless £10,000+
			0.50 Money man. £5,000+. No notice, no penalty
Nationwide	7.00	—	8.00 Flexaccount cashlink £2,000+, 7.25 £25-£1,999
			8.50 *Bonus Builder* £10,000+, 9.25 £5,000+, 8.00 £2,000+, 8.75 £500+, 8.00 £100+, no notice, no penalty
			9.50 Capital Bonds 3 yrs., 2.5 gtd. diff. 90 days' not./pen.
Newcastle	7.00	8.25	8.50 (plus bonus) Two-year term, 9.25 7 days' notice. On demand by arrangement
Northern Rock	7.00	8.25	8.56 Moneyspinner plus £10,000 or more, instant access
			0.30 Moneyspinner plus £5,000 or more, instant access
			5.05 Moneyspinner plus £500 or more, instant access
Norwich	7.00	8.25	9.50 90 days' notice, no penalty £10K+ no penalty/notice
Peckham	7.65	—	8.65/8.75 immediate withdrwl. if over £2,000. Monthly income
Pemrborough	7.00	0.30	9.75 Premium shrs. Inst. acc. £5,000+ (8.95 under £10,000)
Portman	7.00	9.25	9.85 Prem.-plus £10,000+, min. £1 9.25 3 m. not. or 1 m. pn.
			8.60 Flexi-plus £10,000+. Minimum £500 8.00. No not./pen.
Portsmouth	7.15	8.85	10.00 3-year, 9.80 90-day, 9.15 30-day, 8.70 7-day
Property Owners	7.50	0.00	8.85 Instant access minimum £500
Regency	7.00	8.35	8.80 Min. £5,000 3 m. not./pen. Balance £10,000 no not./pen.
Scarborough	7.00	9.25	9.15-9.55 over 55s no notice/penalty MI minimum £2,000
Skipton	7.00	8.25	8.70 Sovereign £5,000+, 0.25 £500-£4,999 monthly income 9.25 minimum investment £2,500 instant access no pen.
Stroud	7.00	8.25	10.25 2 years, 10.00, 5.75, 8.50, instant or notice
Sussex County	7.00	8.50	8.25 Instant access, 9.50 monthly income
Thrift	8.00	—	8.00 3-year term. Other accounts available
Town and Country	7.00	—	0.75 2-year term £10,000+, 5.50 £500-£9,999 wdrwl. available
			9.80-5.75 Moneywise cheque-Visa. Interest varies with bal.
			8.75 Super 60 ½-yearly interest £500, wdl. avail., mthly. inc.
Wessex	9.50	—	— No notice—no penalties—minimum £1
Woolwich	7.00	—	9.00 Prime £500+, 9.25 £5,000+, 9.50 £10,000+, 0 not./pen.
			9.52 Capital, 90 days' notice/penalty. Minimum £500
Yorkshire	7.00	8.00	9.80 Plat. key £10,000+ wdl. no pen. — £10,000 60 d. nt./pn.
			8.50 Classic key monthly income

All these per cent rates are after basic rate tax liability has been settled on behalf of the investor

UK COMPANY NEWS

Charles Batchelor looks at the audacious £173m bid for Extel

Demerger with a difference

BRITAIN'S wave of takeover activity has produced some highly innovative bids in recent months, but few are as unusual as the audacious £173m offer launched yesterday for Extel, the business and sporting information group.

The bid is being made by a newly created company called Demerger Corporation — which sums up its plans for Extel. The men behind it are not names well known in the City. They include a 31-year-old merchant banker, the chairman of a small textile group, a journalist and an Olympic medal-winning Conservative MP.

Their demerger plans and the financing of the bid are also highly unusual.

"Its difficult to take this bid seriously," said Mr Alan Booker, Extel chairman, last night. "The background of these people, their track record, as well as any cash element in the bid are non-existant."

But Demerger Corporation is in turn highly critical of Extel, and claims the origins of its bid lies in the group's mishandling of a project in the Middle East.

Mr Peter Earl, the corporate finance specialist behind the Demerger plan, says his experience of working with Extel on a plan to launch a Middle East version of Extel's famous "cards" of corporate information, showed up the weakness of Extel's approach.

While Extel's people on the ground responded quickly to the challenge it took two months to get a boardroom decision and the whole project dragged on for two years. This allowed two competitors to get in first with their own information systems on Middle East business, Earl says.

Mr Brooker responded that Extel had been exploring the Middle East market but was not convinced it was sufficiently large to justify such a project. In any case this venture was minute in the context of Extel's total business.

Earl, formerly with Orion Bank and Arab Banking Corporation, and Michael Rhode, him founder of the London computer software group, Skytel, started thinking seriously about the potential of Extel last December. Rhode felt Extel was not making enough of its enormous bank of financial and sporting information.

"We first thought about setting up as a rival," Earl said. "We felt we couldn't swallow the whole of Extel. It is an elephant."

But after further thought the two men devised the Demerger

DIVISIONAL ANALYSIS	Turnover (%)	Turnover (£m)	Profit (%)	Profit (£m)
Sporting and financial services	21	37.72	57	6.75
Printing	17	30.48	21	2.51
Advertising and PR	42	77.94	15	1.72
Publishing	11	19.93	23	2.66
Computer systems	9	16.44	—	*1.85
Total	100	182.51	100	11.78

* Loss.

Corporation plan to take over Extel. They would hive off the advertising, public relations, printing, publishing and computer operations, allowing Extel to concentrate on providing a financial and sporting information service.

Earl and his team believe the rapid diversification away from information services in the 1960s has obscured Extel's image in the City and diverted management time and the company's financial resources away from developing the core business.

They compare Extel's historical price/earnings ratio of 26 on the eve of the bid with the p/e ratio of 35.9 enjoyed by Reuters Holdings, the nearest comparable company. "There is no point in having a low p/e which reflects the mixed business of a conglomerate when some of your activities are high p/e businesses," Earl said.

The Demerger team also believe that, freed from the need to refer decisions to a board representing a wide variety of separate businesses, the individual parts of Extel could respond more rapidly to new opportunities.

Despite problems in the advertising division in 1981 and a downturn in printing and computers in 1983 Extel has increased both earnings per share and dividends by 14 per cent a year over the past five years. However, pre-tax profits rose even faster, by an average of 29 per cent a year from £3.1m in 1980 to £10.9m in 1985. Turnover rose by an annual 20 per cent from £72m to £182m.

The Exchange Telegraph Company started life in 1872 but it was not until the 1960s that rapid expansion and diversification began.

It expanded into printing with the purchase of Burrup, Mathieson in 1964 and into advertising with the acquisition of Royd's group in the late 1970s. In 1980 it bought Digital Microsystems, a US computer software group, adding a publishing arm in the form of Benn Brothers just over two years ago.

The method devised by Earl and his team for acquiring and breaking up Extel is innovative and likely to prove highly controversial.

For each Extel share Demerger will offer:

- Two 10p shares in New Demerger, a newly-formed company which will own Extel's core information business.
- One 1p share in each of four newly-created companies which will own the printing, the advertising and public relations, the publishing and the computer operations of Extel.
- 205p nominal of 7 per cent unsecured loan stock due 1989 and guaranteed by New Demerger.

The Demerger team have put £1.5m into their company and will end up with 15 per cent of Extel's information business with existing shareholders owning the rest.

Demerger intends to create a market for the loan stock and shares of the four non-core businesses to allow existing shareholders to dispose of all or some of their holdings. It will hold a golden share in each company giving voting control but no economic interest until parts of the business—such as Burrups or Benn—can be floated on the Stock Exchange as independent companies.

Earl claims the beauty of the plan is that it allows the existing shareholders to enjoy the full benefit from a rejuvenation of their company.

Institutions will not cream off the profits as would be the case in an institutionally-backed buyout. The Demerger proposal avoids the expense—often running into millions of pounds—of a conventional takeover bid.

"This is closer to a proxy fight than a takeover battle," Earl said.

The Demerger proposal provoked a strong response from the Extel camp yesterday.

"This is the junkiest of junk bond offers the market has yet seen," said Mr Brooker.

Earl conceded there were similarities between his plans and the methods of the noted US corporate raider, Mr T. Boone Pickens. The similarity lay however not with Mr Picken's use of junk bonds—high yielding securities which are not rated as investment grade by the credit rating agencies—but in his use of royalty trusts.

Earl claims the Demerger plan mirrors the royalty trust technique of putting core revenue earning businesses (oil wells in Mr Pickens' case) into a separate trust to maximise the return for shareholders.

Hill Samuel launched a strong attack on the lack of any cash element in the bid and the important role played by the loan notes.

The £87m of loan notes that will be issued to help finance the deal will leave the five companies with a massive debt burden costing up to £6m a year in finance, even at the modest 7 per cent coupon proposed. Hill Samuel described the offer as "a house of cards."

It also criticised Demerger for awarding itself 15 per cent of Extel's core business as payment for putting together the deal and the role of the golden share for giving control without commitment.

The lack of any cash element in the bid means Extel shareholders will be judging the offer solely on the record of the Demerger team.

Mr Early, still only 31, founded his own merchant bank, Ifincorp. Earl, last May with the backing of a Luxembourg-based fund management group owned by Middle Eastern interests.

Mr Rhode, chairman designate of Demerger, is chairman of Finlan Group, the construction and property investment group which failed in a hotly-contested bid for Lincroft-Kilgour, the textile group, in 1984.

The other two non-executive members of the team are Mr James Adams, assistant editor of the Sunday Times, and Mr Colin Moynihan, Conservative MP for Lewisham East.

A key role in the bid may be played by Dr Ashraf Marwan, son-in-law of the late President Nasser of Egypt. Dr Marwan has a 10.9 per cent stake in Extel, built up during the past eight months.

The Demerger team said they had had no contact with Dr Marwan before launching the bid. Dr Marwan is however a non-executive director of Ifincorp, the Luxembourg based trust.

See Lex

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Jan 31 1986: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Thur Jan 30 Index No.	Wed Jan 29 Index No.	Tues Jan 28 Index No.	Year ago (approx.) Index No.	1985/86 High		1985/86 Low		Since Compilation High		Since Compilation Low	
1 CAPITAL GOODS (213)	600.51	+0.6	9.50	3.83	13.22	0.80	596.93	589.44	589.36	546.94	600.51	31/1/86	483.30	25/7/85	600.51	31/1/86	50.71	13/12/74
2 Building Materials (24)	652.25	+0.2	10.10	4.16	12.40	0.34	650.75	639.39	636.36	487.81	652.25	31/1/86	472.11	26/2/85	652.25	31/1/86	44.27	11/12/74
3 Contracting, Construction (27)	950.48	+0.5	9.52	4.47	13.78	1.80	945.90	928.25	928.04	720.72	963.49	30/10/85	684.17	8/3/85	963.49	30/10/85	71.48	2/12/74
4 Electricals (13)	1687.35	+1.5	8.66	4.50	15.05	0.00	1662.64	1633.39	1631.88	1610.31	1701.64	22/1/85	1289.36	10/7/85	1909.93	3/6/83	84.71	25/6/62
5 Electronics (39)	1456.58	+1.4	10.08	3.12	13.03	5.21	1436.34	1418.80	1424.74	1789.22	1977.60	9/1/85	1229.01	8/10/85	2049.85	13/11/84	1229.01	8/10/85
6 Mechanical Engineering (63)	334.40	+0.1	10.49	4.37	11.60	0.13	333.99	329.90	327.15	288.87	336.97	25/11/85	263.85	25/7/85	336.97	25/11/85	45.43	5/1/75
8 Metals and Metal Forming (7)	267.12	+0.2	8.25	6.12	14.80	0.00	266.52	262.69	263.35	173.23	267.12	31/1/86	165.08	14/1/85	267.12	31/1/86	49.65	6/1/75
9 Motors (18)	234.76	+0.7	10.19	3.92	11.94	0.22	233.82	231.72	230.24	157.55	234.76	31/1/86	142.57	3/1/85	234.76	31/1/86	19.91	6/1/75
10 Other Industrial Materials (22)	1084.27	+0.1	7.04	3.30	16.93	0.07	1083.30	1074.62	1084.03	888.53	1084.27	31/1/86	828.60	3/1/85	1084.27	31/1/86	277.55	15/1/81
21 CONSUMER GROUP (183)	782.91	+0.4	8.53	3.55	14.70	0.83	780.05	776.57	777.08	625.25	790.71	29/11/85	604.96	3/1/85	790.71	29/11/85	61.41	13/12/74
22 Brewers and Distillers (23)	797.85	+0.6	9.54	3.87	13.40	1.10	792.85	789.04	787.53	573.29	816.65	25/11/85	550.86	3/1/85	816.65	25/11/85	69.47	13/12/74
25 Food Manufacturing (22)	578.90	+0.1	10.42	4.37	12.42	1.10	578.28	574.74	575.53	489.07	590.26	29/11/85	471.62	25/7/85	590.26	29/11/85	59.67	11/12/74
26 Food Retailing (14)	1713.71	-0.3	6.84	2.67	19.75	5.68	1718.06	1701.84	1693.74	1469.68	1852.45	29/11/85	1400.36	1/3/85	1852.45	29/11/85	54.25	11/12/74
27 Health and Household Products (9)	1316.26	+0.5	5.81	2.49	20.22	0.02	1309.24	1319.51	1308.94	1021.32	1319.51	29/1/86	980.65	11/4/85	1319.51	29/1/86	175.38	28/5/80
29 Leisure (25)	773.55	+0.9	7.30	4.46	17.49	2.13	766.74	757.87	755.51	679.89	778.92	25/11/85	590.69	12/7/85	778.92	25/11/85	54.83	9/1/75
32 Publishing & Printing (13)	1947.10	+0.7	8.68	4.68	14.53	2.36	1933.07	1926.58	1915.82	1663.82	1947.10	31/1/86	1445.15	3/1/85	1947.10	31/1/86	55.08	6/1/75
33 Packaging and Paper (15)	388.13	+1.7	8.90	4.09	13.36	0.09	381.79	379.81	379.49	311.27	388.13	31/1/86	286.36	3/1/85	388.13	31/1/86	43.46	6/1/75
34 Stores (43)	743.39	+0.2	7.20	2.92	18.79	0.17	742.26	735.99	744.89	535.38	834.96	25/11/85	529.47	19/2/85	834.96	25/11/85	52.63	6/1/75
35 Textiles (16)	430.70	+1.5	10.30	4.02	11.01	0.00	424.22	410.75	419.83	319.14	430.70	31/1/86	293.07	3/1/85	430.70	31/1/86	62.66	11/12/74
36 Tobaccos (3)	950.58	—	14.13	4.88	8.02	0.00	951.09	951.83	953.55	946.84	1010.69	8/2/85	714.72	26/9/85	1010.69	8/2/85	94.34	13/6/62
41 OTHER GROUPS (85)	723.60	+1.0	9.45	4.31	13.87	0.50	716.33	712.13	713.85	665.91	742.63	25/11/85	605.99	3/1/85	742.63	25/11/85	58.63	6/1/75
42 Chemicals (19)	788.11	+1.1	12.70	4.92	10.41	2.32	779.71	776.08	772.81	806.01	832.26	22/2/85	645.96	26/9/85	832.26	22/2/85	71.20	1/12/74
44 Office Equipment (4)	238.61	+0.6	6.67	4.22	17.87	0.12	237.25	216.73	220.33	176.18	238.61	31/1/86	154.76	3/1/85	246.06	1/9/72	45.34	2/1/75
45 Shipping and Transport (12)	1412.35	+0.9	7.25	4.11	17.09	0.00	1399.98	1384.21	1389.90	1124.08	1412.35	31/1/86	958.08	3/1/85	1412.35	31/1/86	90.80	29/6/62
47 Telephone Networks (2)	874.86	+1.2	9.42	3.75	14.56	0.00	864.10	862.77	863.57	776.16	942.07	21/11/85	701.92	3/1/85	942.07	21/11/85	517.92	30/11/84
48 Miscellaneous (48)	879.21	+0.7	7.75	4.81	15.76	0.12	873.30	871.19	878.50	832.09	917.43	22/11/85	787.88	26/7/85	917.43	22/11/85	60.39	6/7/75
49 INDUSTRIAL GROUP (481)	728.30	+0.6	9.00	3.81	14.10	0.76	724.07	719.13	719.77	624.19	731.27	25/11/85	599.75	3/1/85	731.27	25/11/85	59.01	13/12/74
51 Oil & Gas (19)	1148.03	-0.1	17.98	7.62	6.60	0.00	1148.99	1147.55	1161.50	1368.09	1239.75	15/2/85	1042.21	3/1/85	1239.75	15/2/85	87.23	29/5/62
59 500 SHARE INDEX (500)	764.47	+0.5	10.05	4.26	12.44	0.70	760.63	755.93	757.62	669.52	771.36	25/11/85	636.98	3/1/85	771.36	25/11/85	63.49	13/12/74
61 FINANCIAL GROUP (119)	526.99	+0.1	—	4.59	—	0.08	526.46	519.94	518.80	452.55	536.82	21/11/85	430.10	4/1/85	536.82	21/11/85	55.88	13/12/74
62 Banks (7)	527.67	-1.0	17.49	5.94	8.08	0.00	533.06	528.57	525.71	469.17	554.06	25/11/85	420.58	15/4/85	554.06	25/11/85	62.44	12/12/74
65 Insurance (Life) (9)	799.09	+0.8	—	4.26	—	0.00	792.91	782.31	782.02	600.89	832.57	29/11/85	580.95	4/1/85	832.57	29/11/85	44.88	2/1/75
66 Insurance (Composite) (7)	419.64	-0.2	—	4.68	—	0.00	420.34	415.15	414.31	323.68	420.34	30/1/86	303.16	25/2/85	420.34	30/1/86	43.96	13/12/74
67 Insurance (Brokers) (8)	1286.73	+0.6	6.58	3.33	20.31	0.95	1279.22	1263.82	1281.82	1142.00	1286.73	31/1/86	1009.26	25/7/85	1286.73	31/1/86	65.86	16/12/74
68 Merchant Banks (11)	302.38	+2.0	—	3.45	—	0.00	296.59	283.52	279.70	240.87	302.38	31/1/86	220.65	3/1/85	302.38	31/1/86	31.21	7/1/75
69 Property (51)	672.43	+0.8	5.90	3.67	22.68	0.19	666.94	659.63	658.46	623.43	699.58	13/11/85	585.78	10/7/85	699.58	13/11/85	56.01	20/4/65
70 Other Financial (26)	296.36	—	8.18	4.46	14.67	0.18	296.45	293.77	292.59	293.31	312.36	11/11/85	261.32	26/7/85	312.36	11/11/85	33.29	17/12/74
71 Investment Trusts (103)	658.85	+0.2	—	3.26	—	0.48	657.24	653.44	653.42	604.30	658.85	31/1/86	557.78	31/7/85	658.85	31/1/86	71.12	13/12/74
81 Mining Finance (5)	268.47	+0.2	12.46	5.79	9.34	0.00	267.98	267.00	267.00	293.15	311.08	15/4/85	240.20	5/8/85	337.57	10/4/84	66.31	30/9/74
91 Overseas Traders (14)	620.43	+1.6	13.48	6.74	8.77	0.00	610.93	605.55	604.90	674.69	687.15	22/1/85	562.27	15/10/85	687.15	22/1/85	97.37	6/1/75
99 ALL-SHARE INDEX (739)	696.41	+0.4	—	4.30	—	0.54	693.40	688.46	689.40	612.82	702.06	25/11/85	581.88	3/1/85	702.06	25/11/85	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Jan 30	Jan 29	Jan 28	Jan 27	Jan 24	Year ago	1985/86 High		1985/86 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX	1435.0	+5.9	1435.5	1427.4	1429.1	1421.0	1426.3	1405.0	1392.0	1272.6	1455.5	25/11/85	986.9	23/7/84	1455.5	25/11/85	986.9	23/7/84

FIXED INTEREST

PRICE INDICES	Fri Jan 31	Day's change %	Thur Jan 30	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	117.41	+0.12	117.29	—	0.94
2 5-15 years	128.13	+0.31	127.73	—	1.09
3 Over 15 years	134.56	+0.33	134.11	—	0.73
4 Irredeemables	147.48	-0.18	147.75	—	0.00
5 All stocks	127.13	+0.24	126.83	—	0.98
Index-Linked					
6 5 years	108.10	+0.13	107.96	—	0.00
7 Over 5 years	107.06	+0.01	107.04	—	0.34
8 All stocks	107.25	+0.03	107.21	—	0.28
9 Debentures & Loans	109.48	+0.18	109.28	—	0.12
10 Preference	80.97	+0.18	80.82	—	0.32

AVERAGE GROSS REDEMPTION YIELDS	Fri Jan 31	Thur Jan 30	Year ago (approx.)	1985/86 Highs		1985/86 Lows	
British Government							
1 Low Coupons 5 years	9.91	9.92	11.09	11.56	28/1/85	9.64	31/12/85
2 Low Coupons 15 years	10.43	10.46	10.86	11.20	28/1/85	9.98	18/10/85
3 Low Coupons 25 years	10.44	10.47	10.49	10.72	29/1/85	10.00	18/10/85
4 Medium Coupons 5 years	11.56	11.58	11.82	12.39	28/1/85	10.58	4/10/85
5 Medium Coupons 15 years	10.91	10.94	11.33	11.63	28/1/85	10.30	18/10/85
6 Medium Coupons 25 years	10.57	10.60	10.75	10.97	29/1/85	9.96	18/10/85
7 High Coupons 5 years	11.71	11.74	11.92	12.53	28/1/85	10.65	4/10/85
8 High Coupons 15 years	11.12	11.15	11.49	11.76	28/1/85	10.43	18/10/85
9 High Coupons 25 years	10.67	10.68	10.82	11.03	29/1/85	10.09	29/7/85
10 Irredeemables †	10.26	10.23	10.23	10.49	28/1/85	9.58	18/10/85
Index-Linked							
11 Inflat'n rate 5% 5 yrs	4.70	4.72	0.0	5.18	14/1/86	4.66	24/1/86
12 Inflat'n rate 5% Over 5 yrs	3.89	3.89	0.0	4.01	20/1/86	3.87	28/1/86
13 Inflat'n rate 10% 5 yrs	3.68	3.69	0.0	4.23	14/1/86	3.61	24/1/86
14 Inflat'n rate 10% Over 5 yrs	3.73	3.73	0.0	3.85	14/1/86	3.71	28/1/86
15 Debs & Loans 5 years	12.29	12.37	12.26	12.78	27/1/86	11.06	10/10/85
16 Debs & Loans 15 years	11.81	11.76	12.08	12.37	29/1/85	11.04	21/10/85
17 Debs & Loans 25 years	11.59	11.70	12.07	12.37	29/1/85	10.99	21/10/85
18 Preference †	12.10	12.13	13.00	13.14	29/1/85	11.73	25/10/85

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs. & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72
Other Financial	31/12/70	128.06	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.

CONSTITUENT CHANGES: French Kier (Hldgs) (3) has been deleted and replaced by Emess Lighting (48).

Hanson increases stake in Bowater

Hanson Trust, the industrial holding company, has increased its stake in Bowater Industries, the paper group, from 10.01 per cent to 11.71 per cent. Bowater's shares rose to close last night at 300p, up 15p on the day.

The move comes as Hanson is in the middle of a fiercely-contested £1.8bn takeover bid for Imperial Group, the tobacco, food and drinks business.

Hanson's only comment yesterday was that the Bowater holding was an investment. Hanson first disclosed a stake in Bowater last July, when it revealed it held 7.03 per cent of the group.

Yarrow rejects increased bid from Weir

By Martin Dickson

Weir Group, the engineering company, yesterday increased the value of its takeover bid for Yarrow, its Glasgow neighbour, by about 16 per cent. But the revised and final offer, which values fellow engineer Yarrow at *£20.4m, was immediately* rejected by the company as "a nonsense."

Weir, which already owns 28.2 per cent of Yarrow, is now offering seven of its own shares, *plus* 460p in cash or A loan notes, plus B loan notes with a minimum nominal value of 20p, for every two shares in Yarrow.

Based on Weir's closing price last night of 79p, down ½p, and taking the loan notes at par, the offer is worth 509p for each Yarrow share, and values the entire group at £20.36m. That compares with Yarrow's close last night of 560p, down 20p.

However, Weir will increase the B loan notes by the entire value, after tax and expenses, of any compensation received by Yarrow for the nationalisation of its shipbuilding activities in a case before the European Court of Human Rights.

Weir, advised by Morgan Grenfell, argued yesterday that the Yarrow share price already incorporated a premium in anticipation of compensation from the Court.

The main changes in its terms are a 140p increase in the cash element and an agreement to pay 100 per cent of any compensation to shareholders, rather than 70 per cent. This follows a decision by Yarrow to pay shareholders any compensation *in full*.

Yarrow has also announced plans to bring forward payment to shareholders of £7m—175p a share—of compensation already received for nationalisation.

Yarrow, advised by Baring Brothers, said last night that the revised Weir offer represented a mere 8.9 times prospective earnings—after allowing *for the capital repayment*—and "fails lamentably to recognise the true value and potential of Yarrow."

It repeated its argument that a takeover by Weir would damage the business of YARD, which is involved in naval architecture and marine engineering.

But Weir retorted that proposals made as part of Yarrow's defence would shrink the size of the company and should be of serious concern to shareholders.

Prestwich ends contract with Heron

Prestwich Holdings, the Manchester-based entertainments company, has agreed to pay Mr Gerald Ronson's Heron Corporation £1.25m to release Prestwich from royalty and restrictive covenant agreements over its video cassette operations.

Prestwich is also paying Heron £600,000 to acquire 100,000 pre-recorded video cassettes.

News of the agreement sent Prestwich shares higher and they closed at 132p, up 14p on the day.

The deal terminates a contract entered into in September last year which granted Heron a royalty for six years on the gross receipts of "The Video Collection"—a catalogue of pre-recorded cassettes launched by Prestwich.

In addition, Heron has released *Mr Paul Levinson*, chairman of Prestwich, from covenants he entered into earlier to restrict his entry into certain fields of video.

Prestwich also said it had extended until October 1986 a contract under which Woolworth purchases budget tapes only *from* Video Collection.

Normans

The *board* of Normans Group earlier this week formally rejected an approach from Mr Lew Cartier the supermarket chief. In the middle of January Mr Cartier revealed a *nine per cent stake* in the company and made a number of detailed proposals for reforming it which included making him chief exe-

Wolverhampton increases offer for Davenports

BY LISA WOOD

Wolverhampton & Dudley Breweries increased its offer yesterday for Davenports Brewery (Holdings) in a streamlined bid which puts a cash value on the Birmingham brewer of £33.6m compared to the £32.1m of its original offer.

Mr Charles Tidbury, chairman of Davenports, speaking at the annual meeting yesterday said: "in the opinion of your board the terms set out in W & D's proposals are inadequate."

The increased offer, with a share alternative, replaces an original split level offer and reflects W & D's continuing attempts to woo the support of the Baron Davenports Charity Trust which holds a 19.95 per cent interest in Davenports. W & D has a 16.06 stake in Davenports.

The first offer, made in mid-January, was conditional on the support either of the Davenports board or the charity trust. If the board had recommended the offer or the charity trust indicated it would sell its stake, the offer would be 375p per share or a share option. If the charity however agreed to sell 14.2 per cent of its stake to W & D, taking its stake up to 29.9 per cent, and irrevocably committed itself to accept the offer for the rest W & D would have made a general offer of 395p.

The revised bid follows a request by the charity trust for extra time to consider W & D's *proposals*.

A new preliminary February 4 deadline has been given.

The revised and final offer is 415p in cash for each Davenports share or 14 W & D shares plus £27 nominal 8.5 per cent convertible unsecured loan stock in W & D for every 30 Davenports shares.

A formal offer for Davenports will only be made with the support either of the board and or the charity trust. However W & D has redefined the support it seeks from the Charity, asking it to accept the offer for all its shareholding by the first closing date, unless a higher offer is made.

Guinness bid jeopardises 1,000 jobs says Argyll

BY DAVID GOODHART AND MARK MEREDITH

THE ARGUMENT between Guinness and the Argyll Group over the take-over of Distillers yesterday took the form of a dispute over job losses in the event of Guinness's current £2.2bn agreed bid succeeding.

Mr James Gulliver, chairman of Argyle, said in Glasgow that 1,000 jobs could be at risk if the agreed merger goes through. Most would go as a result of overlap between Distillers and Bell's Whisky which is owned by Guinness.

Mr Gulliver claimed that up to 800 jobs could go at Bell's bottle producer, Canning Town Glass, because Distillers would be anxious for Bell's to use spare capacity within United Glass in which Distillers has a 50 per cent interest.

He added that 120 jobs might be in jeopardy integrating the Bell's head office in Perth with that of Distillers in Edinburgh. The outlook for a further 250 *jobs at Bell's bottling* plants was uncertain and 200 jobs at independent grain whisky producers who supply Bell's could also go.

Guinness dismissed the Argyll suggestion as utter nonsense and a disgraceful rumour. "It shows how little Mr Gulliver knows about the whisky industry," a Guinness spokesman said. The company has not however given any public assurances about jobs in the proposed merger with Distillers. Some comment is expected in the official offer document.

The offer document should also clarify one of the other main points of contention in the takeover—Distillers' agreement to pay a large part of Guinness's underwriting costs. It now appears that the total costs (mainly but not wholly underwriting) will amount to £25m of which Distillers is committed to paying £16m.

Argyll believes, following legal advice, that there is a strong likelihood that the agreement is unlawful under section 151 of the 1985 Companies Act, which deals with the use of a company's funds to purchase its own shares. However, Argyll now seems certain not to take action itself at least until the offer document has revealed the full details.

The controversial Guinness/Distillers merger is likely to be raised in the House of Commons on Monday night, in an adjournment motion by a Scottish Liberal MP Mr Malcolm Bruce.

The Take-Over Panel, too, will be discussing the merger again next week following a complaint from Distillers about an advertisement placed by Argyll.

Wholesale Fittings shows little change in first half

Wholesale Fittings, the Essex-based wholesale electrical distributor, saw its profits little changed on turnover up by 11.5 per cent in the six months to October 25 1985.

Earnings per 10p share however rose from 8.3p to 9.5p and the interim dividend is raised ten per cent from 1.7p to 1.87p.

Turnover improved from £17.22m to £19.21m with pre-tax profits showing an increase of £113,000 to £2.22m. Last year the company reported pre-tax profits of £4.92m from which a total dividend of 6.7p was paid.

First half operating profit came out at £1.92m, against £1.76m, with a further £303,000 (£348,00) from interest received. The tax charge was £888,000 (£950,000).

The directors say that during the period the new depots at Ashford, Kent and Birmingham began trading.

• comment

A 5 per cent increase in pre-tax profits on an 11 per cent rise in sales is at first sight a disappointing result for Wholesale Fittings. On closer inspection the decline in margins reflects a brave expansion programme and conservative accounting policies rather than any underlying deterioration in trading. Following a higher incidence of bad debt in the industry, the company has doubled its debt provision, but is now hoping that it has been overly cautious. Furthermore, the costs of opening new depots at Birmingham and Ashford were borne in the first six months, while they will not begin to contribute to profits until the end of the current year and the beginning of next. The second half has started well, making full year profits of £5.3m look easily attainable. A prospective p/e ratio of 12 with the shares down 5p at 270p seems about right.

L & N £11m settlement

BY LIONEL BARBER

London & Northern, the construction and health care group, has made an out-of-court settlement covering legal proceedings over a Middle East contract at a total cost to the group of £11m.

The £11m costs will be cut to a net figure of £6m after tax relief which London & Northern will receive at the end of the *current* year.

The legal action has cast a shadow over the group since it was first revealed six months ago. There were fears that the total cost could be as high as £15.75m.

Last night, London & Northern shares closed at 71½p, up 12½p on the day. Before the announcement last August they were trading at 85p.

Under the out-of-court settlement, the unnamed party in dispute with London & Northern has agreed to waive its claims. Some £5.25m, which has been paid into escrow, has been released back to the group.

An agreement covering unspecified fees between London & *Northern* and the *litigant* has now been terminated. The full cost of termination will be revealed in the accounts for the year ended December 31 1985, which will be presented in the summer.

Mr Clifford Mullet, London & Northern's company secretary, said yesterday that the group had yet to decide whether to treat the £11m as an exceptional item.

He said that the cost would reduce the group's 1985 retained earnings by £6m (after tax on the balance sheet) after taking into account too the provision of £200,000 made in the previous financial year's accounts and tax relief.

Last October, London & Northern announced pre-tax profits for the first half of £7.94m, up £460,000 on the previous year. Turnover rose from £108.7m to £147.7m.

NORDIC INVESTMENT Trust, which obtained a full listing last June, has reported a post-tax profit of £131,504 for the six months to end-November 1985. Earnings per 10p share were 0.94p and net asset value per *share* at the end of period was 58p. There is no interim dividend and no comparative figures.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
J. & J. Dyson	int	2	April 4	2	—	4
Fleming Enterprise	int	3	Mar. 4	2.5	—	8.5
Global Group§	int	1	Mar. 7	1	—	2.25
Haynes Publishing	int	5†	Apr. 30	4	—	13
Wholesale Fittings	int	1.87	Apr. 10	1.7	—	6.7
Willoughby's		4	—	5	4	5

Dividends shown pence per share except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Vosper to pull out of Singapore shipbuilding

By Andrew Fisher, Shipping Correspondent

Vosper, the UK private sector marine and engineering company, is pulling out of shipbuilding in Singapore and is still losing money on its UK hovercraft building activities.

The company presented a petition in Singapore's High Court yesterday for the winding up of Vosper Private, which has run out of work. Its products included *small* naval and offshore supply vessels, and its losses totalled S$16.2m (£5.3m) before tax in the year to October 31, 1985.

The Singapore losses had continued at between £300,000 and £400,000 a month, said Mr Kenneth Ford, financial director. The workforce was reduced late last year from 450 to 270 people.

Hampshire-based Vosper, controlled by David Brown Holdings, said Vosper Private had net assets attributable to shareholders of £4.6m. This took account of S$2.1m (£700,000) of guarantee given to the Singapore company's banks. No estimate is possible as to the outcome of the liquidation.

Vosper may become liable to repay S$3.5m (£1.2m) in long-term loans by Vosper Private to its parent company. With UK activities near the limit of borrowing *facilities, talks are* being held with one of the Singapore company's banks to clarify the position on the guarantees.

Mr Ford said the Singapore yard's closure stemmed from problems in shipbuilding and the local economy. He added that the UK company expected to win more orders in the next few weeks for its Hovermarine craft, which combine the features of a hovercraft and a catamaran.

Vosper hopes to hear soon the result of its £60m claim for increased compensation on the nationalisation of its warship yard in the UK in 1977. It received £5.3m at the time.

Vosper Thornycroft recently returned to the private sector in a management buy-out.

Wadkin and T. Robinson suspended

By Lionel Barber

Shares in *Wadkin* and *Thomas* Robinson, two specialist engineering companies, were suspended yesterday pending an announcement, which market analysts said could presage a bid or a merger.

Last week, Wadkin, the Leicester-based woodworking machinery and machine tools company, disclosed that it had received a bid approach from an unnamed predator. The news sent Wadkin shares racing up to 170p, closing at 156p, up 16p on the day. Wadkin was suspended at 170p yesterday.

Losses return at Smith Whitworth

Smith *Whitworth*, the Rochdale-based textile machinery maker, fell back into losses in the first half of 1985-86. However that is in line with the statements of Mr J. A. Barker, chairman, made with last year's annual figures and it is expected that the group will be back in profit in the second half.

In the six months to the end of September 1985 turnover fell from £2.42m to £1.46m and the pre-tax loss was £129,000 (£131,000 profit). There was no tax charge against £500 and the loss per share was 3.28p (3.22p earnings). There is again no interim dividend.

The directors say that Careful Cut, the specialist floorcovering distribution offshoot, set up 2½ years ago, made substantial progress during the past few months and is expected to make a small profit in the present half.

London Securities

London Securities, formerly Amalgamated Estates, has almost halved its losses from £301,000 to £157,000 for the six months to September 30 1985.

Rental income increased from £267,000 to £480,000 and operating losses fell from £305,000 to £238,000. There were also profits on disposals of investments of £31,000 against £4,000.

The directors have begun to streamline the company into two divisions covering property investment and investment management. These are beginning to take shape, they say, and a further statement will be made in the annual report.

Additional information about developments at Explaura Holdings will also be included in the report. The directors say that although representing only a small investment for the company, they are nevertheless very exciting.

There was again no tax for the half-year, and losses per 5p share fell from 0.8p to 0.11p.

Burnett support

Shareholders in Burnett & Hallamshire, the troubled coal mining and property group, have taken up 1.05m new shares—less than 1 per cent—of the 120.3m on offer as part of the company's capital reconstruction. The remainder will be taken up by banks taking part in the reconstruction.

LADBROKE INDEX
1,158-1,162 (+6)
Based on FT Index

INTERNATIONAL COMPANIES and FINANCE

Tokyo court backs Sanko rescue plan

THE TOKYO District Court yesterday approved a rescue attempt for Sanko Steamship, the world's largest tanker operator. The group failed last August with debts of Y520bn ($2.7bn), the largest in Japanese history, agencies report from Tokyo.

Sanko formerly operated a fleet of some 230 tankers and bulk carriers. It had filed for court protection from its creditors, along with several of its smaller affiliates.

Yesterday's decision came after court-appointed receivers obtained pledges from creditor banks and trading houses to co-operate in a rehabilitation plan. No complete accord among the creditors has yet been reached, however.

The court ruled that Sanko should start taking steps for a financial reconstruction under three receivers. They are Mr Seiichi Yamashita, former vice chairman of the Japan Committee for Economic Development; Mr Gengo Tsuboi, ex-president of Tokyo Tanker Company; and Mr Mitsuhide Miyata, former president of the Japan Federation of Bar Associations.

The court decision followed a report last month by Mr Miyata, that a restructure remained possible.

A tentative plan drawn up by a group including Mr Miyata calls for Sanko's operating fleet to be halved to 130 vessels, mainly bulk carriers, chartered from the country's leading trading houses. Charter contracts with foreign shipowners would be ended by paying a cancellation fee of 5 per cent. The company's workforce would also be reduced by two-thirds to about 700.

Daiwa Bank, Tokai Bank and Long-Term Credit Bank of Japan, the three lead banks, have already agreed to lend Y20bn to Sanko. Daiwa has since decided to provide unspecified additional loans, but this has not been matched by the two others.

Electrolux edges ahead

BY DAVID BROWN IN STOCKHOLM

ELECTROLUX, the Swedish household appliances group, reported a 4 per cent rise in profits after financial items to SKr 2.57bn ($342m) in a short statement of preliminary 1985 results released yesterday.

Sales advanced by 14 per cent to SKr 39.5bn from SKr 34.54bn in 1984. Extraordinary gains brought the pre-tax results to SKr 2.75bn, a 6 per cent rise from the previous year.

Profit per share rose by SKr 1 to SKr 20 and the board has recommended a dividend of SKr 7.50 per share, up from SKr 6.50.

Mr Anders Scharp, Electrolux's managing director, said demand weakened in all significant markets including the US last year, putting pressure on the margins obtained on most products. However, he noted signs of "a certain recovery" towards the end of the year.

Moreover, Zanussi, the Italian white goods maker in which Electrolux took a 49 per cent stake last year, began breaking even on a monthly basis starting last September, he said.

Nestle lifts sales 35%

BY WILLIAM DULLFORCE IN GENEVA

NESTLE, the Swiss foods group, increased its consolidated sales by 35 per cent to SFr 42.1bn ($20.5bn) last year and expects to show a "notably higher net profit" on the 1985 account than the SFr 1.49bn reached in 1984.

A figure for net earnings and the proposed dividend will be announced later Mr Helmut Maucher, the managing director, said. The board was unlikely to propose a dividend lower than the SFr 135 a share paid on the 1984 account.

The 1985 turnover growth is mainly due to the incorporation of Carnation, the US processed foods company acquired by Nestle at the beginning of the year, and to favourable exchange rates during the first half of 1985.

With the weakening of the dollar against the Swiss franc the exchange rate influence became increasingly negative in the second half.

McDonnell raises dividend as profits rise

By Our Financial Staff

McDONNELL DOUGLAS, the big US aircraft producer, managed improved profits in the fourth quarter of 1985 and has lifted its quarterly dividend from 46 cents to 52 cents.

Net earnings in the three months rose from $91.7m or $2.28 a share to $94.8m or $2.36, following a sharp downturn in the third quarter of 1985.

For the year, earnings rose from $325.3m or $8.10 a share to $345.7m or $8.60. Revenue advanced from $9.66bn to $11.48bn, with $3.09bn ($2.62bn) coming in the final quarter.

The company said earnings growth did not keep pace with that of sales in both the quarter and the year. This reflected a loss of $109.3m for 1985 in the information systems business, compared with a $45.3m deficit in 1984.

In both years the losses included substantial charges —$65.1m in 1985 and $48.7m in 1984—for amortisation of costs connected with acquisitions.

The increase in information systems losses resulted mainly from the failure to achieve expected sales growth. This was related to a broad slowdown throughout the US computer and computer-related industries.

Hongkong Land wins appeal

HONG KONG'S Supreme Court has upheld a lower court ruling that Hongkong Land is entitled to nearly HK$200m (US$25.6m) and the return of 83 flats taken over by the Government as part of a 1981 property transaction which fell through, AP-DJ reports from Hong Kong.

The court ruled that no contract existed between Hongkong Land and the Government for a deal by which the Government would have obtained the 83 flats and a HK$103.6m premium in exchange for giving Hongkong Land the right to develop a residential site known as Queen's Garden.

Matra in talks with Fiat on car components link

BY PAUL BETTS IN PARIS

MATRA, the French state-controlled defence and electronics group, is negotiating with Fiat a merger of its electronic car components business.

Matra, whose car components interests include Jaeger and Solex, is also holding discussions with other car components groups, though the negotiations with Fiat are understood to be more advanced.

The Italian group confirmed yesterday that it was holding talks with Matra but said it, too, was also talking with other companies over possible collaboration in the sector.

The talks reflect Matra's apparent efforts to disengage itself from car components, a business employing 9,500 people which has so far been costly. Matra has decided to regroup its operations around its defence, space and electronic components business in an effort to improve profitability.

Matra has already warned that group profits in 1985 are likely to be lower than the FFr 68.5m ($9.4m) consolidated group earnings of 1984 as a result of the continued cost of restructuring parts of its diversified operations.

A firm decision by Matra to try to merge its electronic car components business with a foreign partner would be a further reversal of earlier French efforts to create a domestic electronics car components industry. The move follows the decision six months ago of Renault, the state-owned car group, to sell its 51 per cent majority stake in Renix, the French electronics car components company, to Bendix, a subsidiary of Allied-Signal of the US.

The discussions with Fiat centre on the pooling of the two companies' electronic car components activities in a single concern which would either be jointly owned or controlled by Fiat.

BMW in 'technical offensive'

BY JOHN DAVIES IN MUNICH

BMW, the West German prestige car maker, is pushing ahead with a "technical offensive," as part of a drive to boost its strength in the next few years.

In one major project, employees this year will move into the first stage of BMW's research and engineering centre being built in Munich at a cost of about DM 1bn ($420m).

The centre, on which DM 280m has already been spent, will eventually bring together about 6,000 employees, including research specialists, styling experts and production engineers. BMW hopes to spur technological development by closely integrating the work of its specialists, who at present are scattered in a large number of offices and plants.

Mr Eberhard von Kuenheim, the chief executive, said that BMW would bring a completely new car onto the market this year, and then something basically new each year into the 1990s.

BMW's sales and market share slipped slightly in West Germany last year, but the company blames this on unpredictable factors. It says that domestic orders in recent months have been well up on a year ago.

Mr von Kuenheim said that BMW now was spending more than DM 1bn a year on investment, including the setting up of its new car factory at Regensburg in Bavaria.

Brierley has 'no chance'—NBH

BY MICHAEL THOMPSON-NOEL IN SYDNEY

NORTH Broken Hill Holdings (NBH), the Australian mining and investment group, claimed yesterday that Mr Ron Brierley had "no chance" of gaining control at or close to his current NBH offer price of A$2.50 a share.

This defiant assertion coincided with news of a 46 per cent fall in NBH net profits to A$4m (US$2.84m) for the half-year to December 11, caused mainly by mining and smelting losses.

Mr Brierley, whose Industrial Equity is the Sydney based arm of a powerful Australia-New Zealand investment empire, is attempting to extend his stake in NBH from 17.7 per cent to 40.3 per cent.

His declared aim is to demerge NBH's potentially lucrative interests, which include EZ Industries, Associated Pulp and Paper Manufacturers, and 12 per cent of Alcoa Australia.

Mr Mark Bethwaite, chief executive of NBH, said yesterday: "Mr Brierley has no chance of getting control of North at any price close to his current offer. There is almost a linking of arms against this aggressor who would wish to break us up."

NBH's turnover rose by 5 per cent for the half to A$401.2m but mining and smelter sales fell marginally.

The interim dividend has been maintained at 2 cents a share, despite a fall in earnings per share from 2 cents to 0.9 cent.

NORTH AMERICAN QUARTERLIES

AMFAC
Food processing, retailing, distribution

	1985 $	1984 $
Fourth quarter		
Revenue	629.7m	599.6m
Net profits	9.5m	†26.6m
Net per share	0.59	†1.88
Year		
Revenue	2.41bn	2.36bn
Net profits	17.9m	†14.1m
Net per share	1.09	†0.93

† Loss.

CONTINENTAL TELECOM
Telecommunications

	1985 $	1984 $
Fourth quarter		
Revenue	738.5m	646.9m
Net profits	63.9m	67.3m
Net per share	0.87	0.76
Year		
Revenue	2.55bn	2.4bn
Net profits	239.6m	194.9m
Net per share	3.21	2.60

CROWN ZELLERBACH
Forest products

	1985 $	1984 $
Fourth quarter		
Revenue	743.0m	806.0m
Net profits	17.1m	10.3m
Net per share	0.46	0.23
Year		
Revenue	3.06bn	3.09bn
Net profits	†26.2m	86.9m
Net per share	—	2.61

† Loss reflects $196.5m restructuring charge.

HOME GROUP
Insurance

	1985 $	1984 $
Fourth quarter		
Revenue	542.0m	603.0m
Net loss	95.0m	73.0m
Net per share	2.47	2.06
Year		
Revenue	2.0bn	1.87bn
Net loss	197.0m	21.0m
Net per share	5.19	1.71

NATIONAL DISTILLERS & CHEMICAL
Distilling, chemicals, energy

	1985 $	1984 $
Fourth quarter		
Revenue	649.1m	582.2m
Net profits	34.6m	8.2m
Net per share	1.08	0.24
Year		
Revenue	2.29bn	2.24bn
Net profits	77.2m	51.4m
Net per share	2.28	1.41

ROYAL TRUSTCO
Trust

	1985 C$	1984 C$
Fourth quarter		
Net profits	27.0m	21.0m
Net per share	0.41	0.34
Year		
Assets (year-end)	13.5bn	11.2bn
Net profits	113.0m	85.0m
Net per share	1.86	1.60

OWENS-ILLINOIS
Glass, packaging

	1985 $	1984 $
Fourth quarter		
Revenue	891.3m	868.0m
Net profits	41.3m	37.5m
Net per share	1.38	1.26
Year		
Revenue	3.67bn	3.5bn
Net profits	158.1m	135.8m
Net per share	5.23	4.70

TRAVELERS
Insurance

	1985 $	1984 $
Fourth quarter		
Op. net profits	122.1m	120.7m
Op. net per share	1.32	1.43
Year		
Op. net profits	359.2m	346.1m
Op. net per share	4.00	4.11

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

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Over-the-Counter Market

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass Brit Ind. Ord	122	+1	7.3	6.0	7.5	7.0
151	121	Ass Brit Ind CULS	127	−1	10.0	7.9	—	—
75	43	Airsprung Group	70	—	6.4	9.1	11.7	15.2
46	33	Armitage and Rhodes	36	—	4.3	11.9	4.4	5.4
166	108	Bardon Hill	167	—	4.0	2.4	21.1	22.0
64	42	Bray Technologies	56	—	3.9	7.0	6.8	7.9
201	136	CCL Ordinary	136	—	12.0	2.2	3.3	3.2
152	97	CCL 11pc Conv. Pf	97	—	15.7	16.2	—	—
130	80	Carborundum Ord	125	—	4.9	3.9	6.2	9.7
94	83	Carborundum 7.5pc Pf	91	—	10.7	11.8	—	—
65	46	Deborah Services	57	—	7.0	12.3	5.9	7.2
32	20	Frederick Parker Group	21	—	—	—	—	—
93	50	George Blair	92	—	—	—	3.2	6.8
65	20	Ind Precision Castings	64	−1	3.0	4.7	16.9	14.1
218	164	Isis Group	164	−1	15.0	9.1	12.6	18.8
122	101	Jackson Group	119	—	5.5	4.6	8.0	8.0
315	223	James Burrough	315	—	15.0	4.8	9.9	9.9
95	85	James Burrough 9pcPf.	95	—	12.9	13.6	—	—
91	63	John Howard and Co.	65	—	5.0	7.8	5.8	8.5
223	141	Linguaphone Ord	180s	—	—	—	6.6	6.9
93	90	Linguaphone 10.5pc Pf	90s	—	15.0	16.7	—	—
670	570	Minihouse Holding NV	617	+22	8.4	0.8	35.5	33.7
52	32	Robert Jenkins	63	−2	—	—	2.8	19.4
34	25	Scruttons "A"	30	—	—	—	—	7.7
87	67	Torday and Carlisle	57	−1	5.0	7.5	3.4	6.1
370	270	Trevian Holdings	327	—	4.3	1.3	13.3	18.2
47	25	Unilock Holdings	40	—	2.1	5.3	10.3	10.6
113	93	Walter Alexander	112	—	5.6	6.5	7.5	9.1
226	195	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

s = Suspended

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$340	106	17	.	.	..	—	$350.40
GOLD C	$350	12	5 A	27	18 A	..	..	"
GOLD C	$380		..	202	10	14	16	"
GOLD C	$400	—	..	81	3.50	14	10.50 A	"
GOLD P	$340	.	.		.	5	10.70 B	"
GOLD P	$360	—	—	50	17.50 e	-	—	"
		Mar.		June		Sept.		
SILVER C	$550			25	25 A	..	—	$608
SILVER C	$700	27	9	.	.	—	..	"
£/FR C	Fr.375			10	8.70		..	Fr.380.85
£/FR C	Fr.380	12	5.40			10	7.80	"
£/FR C	Fr.385	10	3.50	10	5.50	13	6.50	"
£/FR C	Fr.390	15	2.70	10	4	6	5	"
£/FR C	Fr.395	7	1.40		.	10	3.90	"
£/FR C	Fr.400			11	2.50	.	..	"
£/FR C	Fr.410	30	0.30	—	—	.	..	"
£/FR C	Fr.415	..	.	..	—	50	1.70	"
£/FR P	Fr.385	10	10.40	—	..	—	—	"
£/FR P	Fr.410	-	—	40	58	—	—	"
$/FL C	Fl.270	158	4	105	6.20	—	—	Fl.269.85
$/FL C	Fl.275	20	2.20	50	4.20 B	25	5.70	"
$/FL C	Fl.280	76	1.90	88	3.10	—	—	"
$/FL C	Fl.290	10	0.50	—	—	—	—	"
$/FL P	Fl.265	22	2.70	13	6.50	10	8.70	"
$/FL P	Fl.270	36	5.30	23	9.30	3	12	"
$/FL P	Fl.275	6	7.80	—		—	—	"
$/FL P	Fl.280	1	12.30 A	—	—	10	18	"
$/FL P	Fl.285	10	16.50 A	—	—	—	—	"
		Apr.		July		Oct.		
ABN C	Fl.220	180	15.80	10	21.50	4	23.50	Fl.578
ABN P	Fl.560	167	14	3	35	..	—	
AEGN C	Fl.100	141	14.80	.		..	...	Fl.110
AEGN P	Fl.105	132	4.20	4	5.30	..	..	"
AH C	Fl.80	35	3.20	5	3.70 B	8	5.30	Fl.81
AH P	Fl.80	104	3.80	9	9			"
AKZO C	Fl.150	791	16.50	277	18.90	27	21.50	Fl.160.50
AKZO P	Fl.150	715	3	30	7	21	8.50	"
AMEV C	Fl.90	83	4.20	15	5.40	—	..	Fl.94.70
AMEV P	Fl.80	51	2.40	.		..		"
AMRO C	Fl.215	143	6.40	37	7.50	—	—	Fl.109
AMRO P	Fl.100	228	2.30	..	.	..	..	"
GIST C	Fl.270	375	15.50 B	24	18.50 B	8	24	Fl.270
GIST P	Fl.260	145	17	12	21	..	.	"
HEIN C	Fl.240	83	4.30	--		..	—	Fl.217
HEIN P	Fl.230	117	8	1	11	..	.	"
HOOG C	Fl.90	292	3.80	35	5.70	1	7.40	Fl.86.20
HOOG P	Fl.80	154	3	4	4.50	1	9.20	"
KLM C	Fl.60	618	5.80	149	6.30	97	6.70	Fl.61.60
KLM P	Fl.60	130	3.30	30	5.70	20	6.80	"
NEDL C	Fl.190	101	14.50	20	17.50	—	—	Fl.191.50
NEDL P	Fl.180	48	4.70	15	12.70	—	—	"
NATN C	Fl.85	9	4.90	61	5.70	—	—	Fl.81.50
NATN P	Fl.75	174	1.90	2	3.70	—	..	"
PHIL C	Fl.70	865	1.50	391	2.90	77	4.90	Fl.61.20
PHIL P	Fl.90	198	2.90	69	4.50	35	9.30	"
RD C	Fl.170	809	7.70 A	390	9.90	20	19.20	Fl.167.20
RD P	Fl.160	573	3.50	495	7.20	228	9.90 e	"
ROSE C	Fl.85	5	2.50	9	3.10	—	..	Fl.84
UNIL C	Fl.420	62	5.70 B	-		1	17	Fl.379
UNIL P	Fl.560	112	5.50	e	10.50	—	—	"

TOTAL VOLUME IN CONTRACTS: 50,473

A - Ask B - Bid C - Call P - Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*576)	500	85	90	—	6	10	—
	550	42	48	58	23	30	37
	600	19	21	98	52	55	60
Cons. Gold (*494)	460	57	70	80	15	18	30
	500	23	40	50	34	40	55
	550	8	18	—	65	74	—
Courtaulds (*214)	140	78	83	—	1	1½	—
	160	58	63	..	1	2	—
	180	40	45	55	1½	3	5
	200	24	28	35	4	8	9
Com. Union (*243)	200	46	—	—	1½	—	—
	220	27	34	40	5	8	11
	240	16	25	30	12	16	18
	260	7	10	—	27	98	—
Cable & Wire (*595)	550	70	85	105	4	13	18
	600	30	50	70	18	25	30
	650	10	22	—	60	90	—
Distillers (*566)	460	125	130	—	0½	1½	—
	500	85	87	.	1½	5	—
	550	47	55	90	15	22	27
	600	17	28	53	43	45	47
G.E.C. (*170)	140	38	—	—	3	—	—
	160	20	28	34	6	8	10
	180	8	15	22	17	18	20
	200	2½	—	—	32	—	—
Grand Met. (*390)	330	65	73	..	2	9	—
	360	43	57	68	6	13	16
	390	22	35	50	18	23	27
	420	8	15	..	40	43	—
I.C.I. (*817)	650	180	187	..	3	5	—
	700	130	137	..	6	10	—
	750	82	86	102	10	18	22
	800	47	53	65	95	40	55
Land Sec. (*327)	280	28	35	42	5	7	10
	300	15	22	27	11	12	19
	330	5	9	—	37	37	—
Marks & Sp. (*173)	130	45	—	—	1½	—	—
	140	35	—	—	3	—	—
	160	18	95	28	5	6	11
	180	2	12	18	19	19	21
Shell Trans (*668)	600	80	88	—	7	12	—
	650	38	47	57	18	25	30
	700	14	25	30	50	53	60
Traf'gar Hse (*318)	300	35	40	50	e	12	16
	330	17	23	30	21	25	31
	360	9	14	—	44	44	—

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Brit. Aero (*456)	390	73	85	..	1	3	—
	420	43	90	72	9½	12	17
	460	15	35	50	15	27	33
	500	2	14	27	45	47	52
BAT Inds (*348)	280	70	80	90	1	2	5
	300	50	90	70	2	5	9
	330	21	33	45	5	19	16
	360	7	16	23	22	32	35
Barclays (*459)	420	47	55	70	4	10	15
	460	13	39	45	15	97	32
	500	3	12	39	45	90	59
Brt Telecom (*188)	160	30	..	—	0½	—	—
	180	13	23	97	1⅛	5	9
	200	2	10	17	13	13	19
	220	0¼	3	9	32	32	34
Imperial Gr. (*245)	220	30	35	41	2½	9	7
	240	15	29	27	8	12	19
	260	8	13	18	90	22	34
	280	3	8	11	39	32	40
LASMO (*185)	180	16	24	32	e	14	16
	200	5	14	90	93	26	35
	220	3	7	14	37	43	45
	240	1½	5	8	57	57	57
Lonrho (*231)	180	54	54	57	1½	1½	3½
	200	34	38	44	1½	9	8
	220	16	24	26	4	13	17
	240	7	14	17	15	25	29
P. & O. (*458)	390	70	75	—	1	3	—
	420	40	93	93	2	11	17
	460	8	23	33	15	20	25
Racal (*179)	140	38	44	50	1	8	7
	160	20	28	39	3	8	11
	180	6	16	92	10	18	29
	200	1½	—	—	28	—	—
R.T.Z. (*674)	500	78	28	98	1½	8	12
	550	32	50	64	10	20	30
	600	7	29	33	39	48	55
Vaal Reefs (*$81)	70	13	18	18	2	6¾	2½
	80	5½	8¾	12	5½	10½	14½
	90	1¼	—	—	13½	—	—
Ex 10% 1988 (*£99)	94	1½	—	—	0⅛	—	—
	96	0¼	—	—	0¾	—	—
	98	0⅛	—	—	9⅛	—	—
Tr. 11¾% 1991 (*£101)	100	—	1⅝	2⅛	—	0¾	0¾
	102	—	0¾	1¼	—	1⅝	1¾
	104	—	0⅛	0¼	—	3⅛	3⅛
Tr. 11¾% 03/07 (*£107)	106	1¼	2⅜	3⅛	0½	1¼	1½
	108	0½	1⅛	2⅜	1⅛	2⅛	2⅛
	110	0⅛	0⅛	1⅛	3⅜	3⅛	3½
	112	0⅛	0⅛	0⅛	9⅜	5⅜	9⅛
	114	0⅛	0⅛	0⅛	7⅜	7⅜	7⅜

Option		Calls Mar.	Calls June	Calls Sept.	Puts Mar.	Puts June	Puts Sept.
Beecham (*368)	280	88	103	..	1½	2	—
	300	78	65	92	3	5	5
	330	52	60	70	9	12	15
	360	27	40	47	19	25	28
Boots (*244)	220	36	40	46	4	7	8
	240	19	26	35	11	15	17
BTR (*400)	360	62	69	77	6	10	12
	390	28	42	47	15	30	98
	420	10	18	28	32	38	43
Bass (*955)	600	73	100	120	8	13	20
	650	28	50	80	20	30	40
	700	19	25	45	53	55	97
De Beers (*$5.39)	500	126	135	165	9	15	24
	550	86	27	117	14	28	38
	600	44	65	80	40	50	60
	650	23	37	55	70	80	90
GKN (*286)	240	80	89	79	1⅛	4	9
	260	40	47	65	3	7	8
	280	25	32	39	9	9	13
	300	14	22	93	19	23	25
Glaxo (*863)	778	110	135	160	10	17	95
	800	90	120	145	17	25	35
	825	70	105	130	27	35	45
	850	55	90	115	40	60	60
	900	30	60	95	95	80	90
Hanson (*144)	133	17	24	30	4	7	9
	160	8	14	19	13	14	18
	165	3	7	—	22	24	—
Jaguar (*388)	260	134	139	—	0½	1½	—
	280	114	119	..	0½	1½	—
	300	94	100	109	0½	3	4
	330	64	71	72	2	5	9
	360	38	44	51	7	11	13
	390	17	24	33	20	24	29
Thorn EMI (*387)	360	42	55	—	6	10	—
	380	22	42	95	15	20	97
	420	10	20	35	38	48	60
Tesco (*285)	260	36	43	50	3	9	7
	280	22	30	36	8	13	15
	300	10	17	25	20	25	28

Option		Calls Jan.	Calls Feb.	Calls Mar.	Calls Apr.	Puts Jan.	Puts Feb.	Puts Mar.	Puts Apr.
FT-SE Index (*1436)	1300	134	—	—	—	0½	—	—	—
	1325	109	—	—	—	0½	—	—	—
	1350	84	100	112	120	0½	6	9	13
	1375	59	80	93	100	0½	8	15	20
	1400	34	60	67	80	2	12	22	26
	1425	7½	40	52	60	3	17	30	35
	1450	1	22	35	42	19	30	40	45
	1475	0½	8	—	—	44	60	—	—

January 31 Total contracts 14,854 Calls 11,677 Puts 3,177 *Underlying security price

WORLD STOCK MARKETS

NEW YORK

WALL STREET

Dow hits further peak of 1570

SHARPLY HIGHER levels developed on Wall Street yesterday, when futures-related buy programmes helped the advance.

By 1 pm the Dow Jones Industrial Average was up 18.23 to a record 1,570.41 and up 40.48 on the week, while the NYSE All Common index, at $122.23, rose $1.36 on the day and $2.91 on the week. Advances led declines by a two-to-one margin in a volume of 108m shares.

Harry Laubscher of Paine Webber Group said he remains bullish even though there are signs a market top is being created.

He said there seems to be a shift in the leadership with IBM less of a favourite than it had been.

"There are still a great many values around," Laubscher said, although "they are concentrated in Industrial groups that have not performed well in the last year or two." He added these included Forest Products, Conners and Machinery.

Insurance issues, lower at the outset, were staging a recovery.

ATT led the actives, off $¼ to $21½, on 4m shares.

Beverly Enterprises dipped $2¼ to $35 on 1.64m shares—a block of 1.2m shares crossed the tape off $1¼. On Thursday the company reported fourth quarter earnings of 63 (52) cents per share.

Cigna regained $1½ to $66¾ following a drop of $4½ Thursday—it said it was taking a $1.2bn charge in the fourth quarter.

American International Group was lifted $2 to $117½ but Chubb gave way $1¾ to $59¾.

THE AMERICAN S.E. Market Value Index put on 0.30 to 243.97 in a volume of 6.51m shares.

Key Pharmaceuticals led the actives, off $¼ to $11¾.

Closing prices for North America were not available for this edition.

CANADA

Lower in fairly active mid-session trading, buffeted by weaker Gold share prices.

The Toronto Composite index shed 6.86 to 2837.68. Oil and Gas 31.8 to 2989.0 and Golds fell 54.4 to 4793.8.

Golds reflected an easing in the gold bullion price.

Gulf Canada held unchanged at $20¼ in actives as shareholders approved its reorganisation, which Gulf has said will generate additional earnings.

Dome Petroleum eased 4 cents to $2.75 — it was lowering its stake in Dome Mines, off $¼ to $15¼.

TOKYO

Share prices closed sharply up on another large volume.

The Nikkei Dow index gained 75.26 to 13,024.30. Volume 400 (same) shares.

Traders said they were confused by the rally since market sentiment had been turning pessimistic in Thursday's session. One dealer theorised that both foreigners and new Domestic Trust funds bought issues orientated to domestic demand and stayed away from the Electrical sector because of the possibility that the stronger Yen could severely hurt the export earnings of these issues.

One trader said the share prices were extremely volatile in the session and pointed a finger towards speculators. He said that Japan Air Lines for example, opened at Y13,700, plunged to Y11,900 and then went back up to Y13,200 to close Y300 lower on the day. The trader said that lower world oil prices helped speculators to manipulate both Jal and all Nippon Airways because they may benefit, in the form of reduced costs, if oil prices continue to decline.

GERMANY

Share prices ended firmer with most sectors regaining some ground lost in recent dramatic declines. But most prices were off the days highs.

The Commerzbank index, set at midsession, shed 7.6 to 1,950.4, reflecting early business.

Turnover was generally below average but lively in Chemicals. These benefited from the drop in world oil prices, and were the session's star performers. Bayer added DM 6.80 at 283 and BASF DM 5.20 at 265.40.

Exporters issues, including key Auto and Chemical sectors, regained territory after heavy losses earlier in the week amid fears the strengthening Deutsche mark will strangulate foreign earnings. However, Financial issues, including Banks, remained pressured by worries about shaky loans to poorer oil exporting countries at a time of generally falling oil prices, brokers said.

Carmaker BMW added DM 7 at 584 on expectations of net profit comparable to 1984's record and a 10 per cent rise in turnover.

Electrical BBC soared DM 27 to 259.50 after news it is doubling the dividend and the Swiss parent is offering DM 250 per share to minority shareholders.

AMSTERDAM

Dutch shares were higher across the board as investor confidence seeped back in the Bourse.

Position squaring ahead of the weekend counter-balanced the impact of Thursday's mixed business in the US.

Domestic as well as Foreign investors showed the first buying interest for several days with all Bourse indices up.

Among multinationals which suffered with the softer dollar, Akzo, involved in a dispute with US rival Dupont, turned its Fl 2.20 opening loss into a gain of Fl 3.30 at 160.50 after improved 1985 results announced Thursday.

In banks ABN finished Fl 9.50 higher at 578.00, after a Fl 4.50 opening loss.

HONG KONG

Sharply lower as late institutional selling sent the Hang Seng index down 24.43 points to 1,695.78, bringing its loss to more than 50 points for the week.

Speculation on the investor's identity centred on Wah Kwong Shipping & Investment Company or its owners, the Chan family. Wah Kwong asked for a suspension in trading of its shares earlier this week because of financial difficulties, and brokers said they believe the Chans, or the company, may be raising funds through stock sales to ease their financial troubles. Spokesman for Wah Kwong and the Chans were unavailable for comment.

Utilities had the biggest losses as the sub-index shed 48.90 to 2,277.77.

SINGAPORE

Share prices rose across the board on selective buying and short-covering in late moderate trading.

But market sentiment remains nervously bearish, on worries about the ramifications of the collapse of Pan-Electric and the subsequent investigation by Singapore Authorities.

The Straits Times Industrial index rose 5.50 to 807.32 and the SE All Share index 1.53 to 223.85. Turnover 9.4m (6.6m) shares.

Singapore Airlines put on 15 cents to S$5.35, and accounted for 18.4 per cent of the market's total turnover.

Hotels, Properties and Commodities were slightly higher.

AUSTRALIA

Share markets closed at record levels in mixed trading.

The All Ordinaries index rose 0.9 to a record close of 1,075.1, the All Industrials gained 9.3 to a record 1,001.7, but the All Resources index lost 5.2 to 660.5. The Gold index shed 4.1 to 997.4.

Turnover was very high at 86.6m shares, worth A$238.4m, with rises outnumbering falls 279-to-206.

Industrials were again strong following Thursday's favourable economic news.

BHP, off 20 cents at A$8.88, provided over half the market's turnover, with 14.6m shares. Traders said the heavy trading in BHP is tied to option activity and investors positioning themselves to take advantage of the company's one-for-five free scrip issue Monday.

Robert Holmes A Court's Bell Group, which controls more than 18 per cent of BHP's shares, was down 6 cents to A$7.40 in active trading. Its subsidiary, Bell Resources, unchanged at A$6.40 is also having a one-for-five free scrip issue Monday.

Rupert Murdoch's News Corp continued its week of sharp gains, rising 30 cents to A$10.90, after A$11.15.

ACI International rose 8 cents to A$3.20, despite paying an 8.5 cents a share dividend.

Elsewhere, Properties were higher, Coal Mines strong, while Golds were mixed.

CANADA

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

SWEDEN

HONG KONG

DENMARK

ITALY

SWITZERLAND

FRANCE

NETHERLANDS

JAPAN

SINGAPORE

AUSTRALIA

SOUTH AFRICA

NEW YORK INDICES

NEW YORK ACTIVE STOCKS

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar pauses for breath

The dollar recovered in currency markets yesterday after Thursday's disappointing US economic data. The rise was mainly a technical reaction to the dollar's recent fall and was accelerated by profit-taking. However, the dollar's undertone remained bearish with recent strength of the Japanese yen tending to have a depressing effect. Dealers were content to square positions ahead of the weekend.

The dollar fell to a low of DM 2.3710 against the D-mark before improving to close at DM 2.3890 up from DM 2.3790 on Thursday. Against the yen it fell to Y192.75 from Y193.0, its lowest level since November 1978. Elsewhere it rose to SFr 2.0270 from SFr 2.0200 and FFr 7.3125 compared with FFr 7.2925. On Bank of England figures, the dollar's exchange rate index rose to 123.4 from 123.1.

Sterling was slightly firmer overall. Its exchange rate index rose to 74.6 from 74.4, having opened at 74.6. It touched a best level of 74.9 during the afternoon. There was little incentive to take out fresh positions ahead of Monday's Opec meeting and Tuesday's UK banking figures. Both are likely to have a strong bearing on sterling sentiment. Against the dollar the pound rose to $1.4125-1.4135 up 30 points from Thursday. It was also higher against the D-mark at DM 3.3750 from DM 3.3550 and Y272.50 compared with Y272.25.

Elsewhere it rose to SFr 2.8650 from SFr 2.8475 and FFr 10.3325 from FFr 10.2825.

The relative strength of the D-mark and the French franc was contained to some extent within the EMS by central bank intervention although there was still strong speculation that some sort of currency realignment would follow after the French general election next month.

£ IN NEW YORK

Closing Rates	Jan. 31	Prev. close
£ Spot	$1.4130-4140	$1.4810-1.4220
1 month	0.63-0.01pm	0.50-0.48pm
3 months	1.64-1.59pm	1.62-1.61pm
12 months	5.40-6.30pm	5.30-5.16pm

Forward premiums and discounts apply to the U.S. dollar

STERLING INDEX

	Jan. 31	Previous
8.30 am	74.6	74.3
9.00 am	74.7	74.3
10.00 am	74.8	74.3
11.00 am	74.7	74.5
Noon	74.8	74.4
1.00 pm	74.9	74.4
2.00 pm	74.8	74.5
3.00 pm	74.8	74.6
4.00 pm	74.6	74.4

POUND SPOT—FORWARD AGAINST POUND

Jan 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4080-1.4196	1.4125-1.4135	6.51-0.48c pm	4.20	1.63-1.58pm	4.54
Canada	2.0043-2.0213	2.0043-2.0079	6.28-0.19c pm	1.41	6.91-0.75pm	1.66
Nethlnd.	3.80-3.81½	3.80¾-3.81¼	2½-1⅞c pm	0.30	6½-6¼pm	6.69
Belgium	68.85-69.18	69.00-69.10	7c pm-1dis	−0.52	17-3pm	6.58
Denmark	12.41½-12.46½	12.44-12.45	3¾-3ore pm	3.25	10¾-10pm	3.33
Ireland	1.1089-1.1168	1.1142-1.1182	6.07-0.28p dis	−1.88	0.19-0.68dis	−1.56
W. Ger.	3.35¾-3.38	3.37-3.38	2½-2pf pm	7.33	6¾-6½pm	7.85
Portugal	218½-221¼	219½-221	270-630c dis	−24.55	590-1590dis	−19.63
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.27
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−7.74
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.62
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−2.48
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.40
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.31
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.92
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.38

Belgian rate is for convertible francs. Financial franc 69.95-70.05. Six-month forward dollar 3.11-3.06c pm. 12-month 5.45-5.30c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4080-1.4195	1.4125-1.4135	6.51-0.48c pm	4.20	1.63-1.58pm	4.54
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.05
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−2.91
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.22
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−4.01
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.36
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−24.40
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.45
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−13.14
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 48.60-48.60.

CURRENCY RATES

Jan. 31	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.785660	0.641987
U.S. $	7½	1.11116	0.867085
Canadian $	10.50	[illegible]	[illegible]
Austria Sch.	4	[illegible]	[illegible]
Belgian Fr.	8¾	[illegible]	[illegible]
Danish Kr.	7	[illegible]	[illegible]
D'mark	4	[illegible]	[illegible]
Guilder	5	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	15½	[illegible]	[illegible]
Yen	4½	[illegible]	[illegible]
Norway Kr.	8	[illegible]	[illegible]
Span'h Pta.	—	[illegible]	[illegible]
Swedish Kr.	8½	[illegible]	[illegible]
Swiss Fr.	4	[illegible]	[illegible]
Greek Drch	20½	[illegible]	[illegible]
Irish Punt	—	N/A	0.718214

* CS/SDR rate for Jan 30: 1.57631.

EURO-CURRENCY INTEREST RATES

Jan. 31	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 8¼-8⅜ per cent; three years 8⅝-8¾ per cent; four years 9⅛-9¼ per cent; five years 9⅛-9¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

Jan. 31	Bank of England Index	Morgan Guaranty Change %
Sterling	74.6	−16.8
U.S. dollar	123.4	+13.7
Canadian dollar	78.4	−12.4
Austrian schilling	183.7	+6.7
Belgian franc	93.6	−8.7
Danish Kroner	84.1	−2.8
Deutsche mark	138.6	+12.1
Swiss franc	161.4	+13.4
Guilder	122.6	+7.9
French franc	76.9	−10.8
Lira	45.8	−16.5
Yen	185.0	+34.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Jan 31	£	$
Arg'tina	[illegible]	[illegible]
Aus'alia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
H'Kong	[illegible]	[illegible]
Iran	117.90*	83.60*
Kuwait	6.4020-0.4636	6.28720-0.38740
Lux'burg	60.56-60.66	48.80-48.00
Malay'as	3.4780-3.4875	2.4645-2.4665
N'Z'land	2.6315-2.6415	1.8620-1.8676
Saudi Ar.	5.1165-5.1166	3.6507-3.6617
Sin'pore	3.6120-3.0200	9.1365-2.1575
S.Af.(Cm)	3.2180-3.2316	2.2780-2.2885
S.Af.(Fn)	4.0626-4.1630	2.8775-2.0656
U.A.E.	5.1415-5.1466	3.6726-3.6736

* Selling rate.

EXCHANGE CROSS RATES

Jan 31	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.413	3.375	272.5	10.33	2.865	3.813	3300.	2.006	69.05
$	0.766	1.	2.389	192.8	7.313	2.027	2.698	1638.	1.496	48.87
DM	0.296	6.419	1.	80.74	3.061	0.849	1.130	981.3	0.594	20.46
YEN	3.670	5.185	12.39	1600.	37.02	10.51	13.90	6439.	7.566	253.4
F Fr.	6.968	1.368	3.265	263.7	10.	2.773	3.690	2286.	1.942	66.83
S Fr.	0.349	6.493	1.178	95.11	3.666	1.	1.731	802.6	6.760	24.16
H Fl.	0.262	0.371	6.885	71.48	2.716	6.761	1.	663.1	6.506	18.11
Lira	6.436	0.614	1.468	118.5	4.493	1.246	1.858	1000.	0.872	30.03
C $	6.498	0.704	1.682	135.8	5.151	1.428	1.900	1146.	1.	34.32
B Fr.	1.448	2.046	4.888	394.6	14.26	4.140	6.521	3336.	2.965	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

UK rates firmer

Interest rates were a little higher in London yesterday. Period rates rose ahead of Monday's Opec meeting and the possible effects on sterling while short term rates were influenced by a scarcity of funds. Despite the Bank of England's assistance, funds were hard to come by and weekend interbank money touched a high of 15 per cent at one point. It opened at 12½-12¾ per cent and spent most of the morning trading at 12¾-13 per cent. Rates touched 13-13½ per cent after lunch before touching a high of 15 per cent. Late balances were taken nearer 12 per cent.

Three-month interbank money rose to 12⅞-12⅞ per cent from 12¾-12⅞ per cent while three-month eligible bank bills were bid at 12⅝-12⅝ per cent, unchanged from Thursday.

The Bank of England forecast a shortage of around £900m with factors affecting the market including maturing assistance draining £778m and a rise in the note circulation a further £225m. In addition banks brought forward balances £75m below target. These were partly offset by Exchequer transactions which added £160m. The Bank offered an early round of assistance which totalled £138m and comprised outright purchases of £13m of eligible bank bills in band 2 at 12⅝ per cent, £47m in band 3 at 12½ per cent and £78m in band 4 at 12⅞ per cent.

The forecast was revised to a shortage of around £950m before taking into account the early help and the Bank gave additional help in the morning of £369m. This comprised outright purchases of £40m of eligible bank bills in band 1 at 12⅞ per cent, £75m in band 2 at 12⅞ per cent, £26m in band 3 at 12½ per cent and £103m in band 4 at 12⅞ per cent. It also arranged sale and repurchase agreements on £120m of bills at 12⅞-12¼ per cent unwinding in equal amounts on February 4 and 5.

Once again the forecast was revised, this time to a shortage in the afternoon came to £385m and comprised outright purchases of £171m of eligible bank bills in band 1 at 12⅞ per cent and in band 2 £112m of eligible bank bills and £10m of Treasury bills all at 12⅞ per cent. In band 3 it bought £5m of eligible bank bills at 12½ per cent and £87m in band 4 at 12⅞ per cent. Total help came to £892m.

Gold fell $8½ an ounce from Thursday's close in the London bullion market yesterday to finish at $349½-350. The metal opened at $353½-354 and traded between a high of $354½-354¾ and a low of $347½-348½. The weaker trend was a continuation of selling in New York on Thursday in the silver market and further selling in London prompted the unwinding of some long positions and stop loss selling.

UK clearing banks base lending rate 12½ per cent since January 9

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 31) Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Jan. 31	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'ntion
Frankfurt	4.20-4.35	4.60-4.65	4.50-4.65	4.55-4.00	4.65-4.70	6.5
Paris	9	8⅞-9	8⅞-9	8⅞-9	8⅞-9⅟₁₆	8¾
Zurich	1-2	3⅞-4⅛	—	3⅞-4⅛	—	—
Amsterdam	5⅞-6⅛	5¾-6⅛	—	6⅛-6⅛	6⅛-5⅞	—
Tokyo	6.03125	6.63125	—	6.09375	—	—
Milan	15¾-16	16¼-18⅝	—	15⅛-15⅞	—	—
Brussels	8.56	9¾-0⅞	—	9⅞-9⅞	—	—
Dublin	—	—	—	—	—	—

LONDON MONEY RATES

Jan. 30	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12-15	12⅝-12⅞	12⅝-12¾	12¾-12⅞	12⅞-12⅞	12⅞-12¾
Sterling CDs	—	—	12⅞-12½	12¾-12⅞	12⅞-12⅞	12⅞-12⅞
Local Authority Deps	12¼-12¾	12⅜-12⅞	12¾	12⅞	12¾	12⅝
Local Authority Bonds	—	—	10⅞	13¼	13¼	13⅛
Discount Mkt Deps.	10-12¾	11-11¾	12⅝	12½	—	—
Company Deps.	12-12½	12⅝-12¾	12¾	12⅞	12⅞	12⅝
Finance Hse Deps.	—	—	12¾	12¾	12¾	12⅝
Treasury Bills (Buy)	—	—	12⅝	12¼	—	—
Bank Bills (Buy)	—	—	12⅞	12⅞-12⅞	12⅛	—
Fine Trade Bills (Buy)	—	—	13⅟₁₆	12⅞	12¾	—
Dollar CDs	—	—	7.80-7.85	7.85-7.90	7.90-7.95	8.10-8.15
SDR Linked Deps	—	—	8⅟₁₆-8⅞	8⅞-8⅞	8¼-8⅛	8⅛-8⅜
ECU Deps	—	—	10⅝-10⅞	10⅛-10⅝	9¾-10	9⅛-9⅝

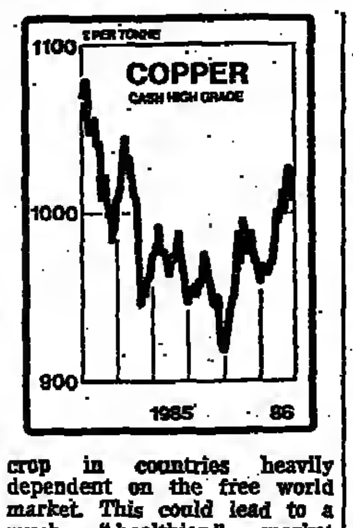
Treasury Bills (sell): one-month 12¼ per cent; three months 12⅛ per cent. Bank Bills (sell): one-month 12⅟₁₆ per cent; three months 12⅟₁₆-12⅟₃₂ per cent. Treasury Bills: Average tender rate at discount 12.0367 per cent. ECGD Fixed Finance Scheme IV reference date December 4 to January 7 (inclusive) + 11.838 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from February 1 1986. Bank Tax Deposits (Series 6) Deposits £100,000 and over held under one month 12 per cent; one-three months 12¾ per cent; three-six months 12¾ per cent; six-nine months 12¾ per cent; nine-12 months 12¾ per cent. Under £100,000 11¾ per cent from January 14. Deposits held under Series 5 11¾ per cent. Deposits [illegible]

COMMODITIES AND AGRICULTURE

REVIEW OF THE WEEK

Coffee market gets the jitters

BY RICHARD MOONEY



THE COFFEE market suffered a severe attack of the jitters this week. After last week's tentative rally, which followed an erratic retracement from the post-Christmas peak, nearby values on the London futures market registered a sharp decline which took them to the lowest levels for more than a month. The March position's £59.50 rise on Monday was quickly wiped out by falls on Tuesday and Wednesday totalling £389 a tonne. At last night's close March coffee was quoted at £2,227.50 a tonne, down £324.50 on the week.

The fall has taken some of the wind out of the sails of pundits who saw the early Janaury peak of £3,100 a tonne as merely a staging post on the way to record highs. But many remain convinced that the full price effect of last year's damaging Brazilian drought has yet to be felt. The drought is estimated to have halved this year's Brazilian crop potential to around 14m or 15m bags (60 kilos each).

"In the longer term there is no doubt that the price has got to go higher," says Mr Brian Chandler of Boustead Commodities. "The fundamental problems are still there." But he is not so sure about the immediate prospects with the market in the grip of what he describes as the "computer brigade"—speculators who base their trading on technical analysis.

Another trader, at E. D. and F. Man, says the market's short term prospects depend largely on whether or not Brazil becomes an active seller. African producers, who grow the Robusta type of coffee which is traded in the London futures market, are reported to be well sold. But the New York market, which deals in the Arabica types grown mostly in Brazil and Central America, is short of supplies. So New York values have established an unusually high premium over London. If Brazil steps up its sales and the premium narrows a further fall in the overall market could result. But most traders believe Brazilian exporters, who shipped a lot of coffee in the October/December quarter, will hold off the market in the hope of achieving higher prices later.

Cocoa prices registered modest losses based on the firmness of sterling against the dollar and the May position ended the week £26 lower at £1,734.50 a tonne. But the underlying tone was quite steady in view of continuing concern about west African crop prospects.

On the world sugar market values added a few dollars to last week's strong gains. The tone was helped by a report from F. O. Licht, the West German sugar statistics agency, which said the low returns available at present were likely to result in reduced beet and cane plantings for the 1986-87 crop in countries heavily dependent on the free world market. This could lead to a much "healthier" market situation, Licht said.

On the London Metal Exchange news of stocks reductions last week buoyed prices for copper and aluminium on Monday, with the former getting an extra boost from confirmation of a Peruvian miners strike. But the gains were quickly wiped out as these two markets joined in the general easier tone encouraged by sterling's gain against the dollar. Cash higher grade copper ended the week £4.75 down on balance at £1,008.50 a tonne and cash aluminium lost £12.25 on the week at £788 a tonne.

The cash lead price finished the week £10.50 down at £261.50 a tonne, erasing rather more than half of last week's advance, while cash zinc lost £6.50 at £451.50 a tonne.

On New York's frozen concentrated orange juice market prices staged a brief flurry early in the week when weather forecasters warned of a frost threatening the Florida citrus groves. But the frost proved less severe than expected and prices retreated to end the week a cent or two down on balance.

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1985/86 High	1985/86 Low
METALS					
Aluminium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Free Market c.i.f.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Antimony	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Free Market 99.6%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper-Cash High Grade	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months Do. Do.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold per oz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lead Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nickel Market c.i.f. 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Free	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Palladium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Platinum per oz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quicksilver (76 lbs)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Silver per oz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months per oz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tin cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tungsten Ind.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wolfram (22.04 lb)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zinc cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GRAINS					
Barley Futures	£118.00	−0.70	£116.55	£118.80	£96.00
Maize French	£141	—	£147.60	£166.80	£126.50
WHEAT Futures	£116.80	−1.80	£116.00	£124.95	£96.80
SPICES					
Cloves	$4,900	+100	$4,000	$4,250	$3,800
Pepper white	$6,200	−300	$3,300	$8,500	$3,000
black	$4,100	−120	$2,536	$4,400	$2,200
OILS					
Coconut (Philippines)	$345w	—	$745	$850	$310
Palm Malayan	$315z	−7.5	$690	$700	$305
SEEDS					
Copra (Philippines)	$330x	+10	$500	$570	$210
Soyabeans (U.S.)	$226.6y	—	$261.6	$255.4	$267.5
OTHER COMMODITIES					
Cocoa Futures Mar	£1734.5	−26	£2816	£2,266.5	£1,657
Coffee Futures Mar	£2227.5	−324.5	£2,580	£3,097.5	£1487.0
Cotton Index	54.20c	+6.0	69.70c	71.95c	47.70c
Des. Coconut	£516	−26	£1200	£1,256	£516
Gas Oil Fut. Mar.	0177.0	+3.5	$222.75	$078.25	$158.28
Jute UA BWC grade	$615	—	$890	$945	$500
Rubber kilo	60p	—	64.6p	76p	55p
Sisal No. 3	$596	—	$650	$676	$500
Sugar (Raw)	$139.5x	+3	$117	$147.5	$82
Tea (quality) kilo	125p	—	366p	346p	160p
(low med) kilo	118p	—	863p	255p	90p
Wooltops 64s Super	426p kilo	+9	521p Kilo	626p kilo	389p kilo

† Unquoted. (g) Madagascar. (w) February-March. (x) January-February. (y) February. (z) March.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	787.5-8.5	−3.5	788.5/788
3 months	816-.6	−6.5	821/816.5

Official closing (am): Cash 788-9 (794-5), three months 816-9 (824.5-5), settlement 789 (795). Final Kerb close: 816-812.5. Turnover 11,450 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	1008-9	−3.5	1012.5/12.5
3 months	1037.5-8	−4.6	1042/1035.5

Official closing (am): Cash 1012-.3 (1014-5), three months 1,040.5-1 (1,044.5-5), settlement 1,013 (1,014.5). Final Kerb Close: 1,036-6.5.

Cathodes			
Cash	909-6	+9	996/998
3 months	1025-6	−6.6	1031/1031

Official closing (am): Cash 998-6 (997-1,000), three months 1,031-3 (1,035-7), settlement 998 (1,000). Turnover: 16,950 tonnes. US Producer prices 68.5-74 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	261-2	−1.6	262.5/262.25
3 months	273-4	−8.70	276/273

Official closing (am): Cash 262.5-3 (261.5-2), three months 274-.5 (275-.5), settlement 263 (262). Final Kerb Close: 275-6. Turnover: 5,025 tonnes. US Spot: 18.20 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	2795-805	+20	2788/2768
3 months	2860-70	+17.5	2870/2850

Official closing (am): Cash 2,760-5 (2,790-5), three months 2,825-30 (2859-60), settlement 2,765 (2,795). Final Kerb Close: 426. Turnover: 2,855-60 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	451-2	−5	454/458
3 months	461.0-2.5	−3.25	465/461.5

Official closing (am): Cash 453-4 (452-3), three months 463-4 (465-6), settlement 454 (453). Final Kerb Close: 452-4. Turnover: 7,100 tonnes. US Prime [illegible]

GOLD

GOLD BULLION (fine ounce)	Jan. 31	
Close	$349¼-350	(£247¾-248¼)
Opening	$303½-354	(£249¼-249¾)
M'n'g fix	$354.00	(£250.124)
Aft'n'n fix	$350.50	(£248.054)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$350½-351½	(£250¼-201)
½ Krug.	$186¼-186¾	(£133-135¼)
¼ Krug.	$95-96	(£67¾-68½)
1/10 Krug.	$38¾-39¾	(£27¾-28½)
Mapleleaf	$360½-361½	(£257½-258)
Angel	$359¾-361¾	(£256¾-258¼)
1/10 Angel	$35½-46½	(£26¼-20)
New Sov.	$85¼-85¾	(£60¾-61¼)
½ New Sov	$50-51	(£35¾-36½)
Old Sov.	$89½-91	(£64-56)
$20 Eagle	$470-616	(£335½-354¼)
Noble Plat	$320½-364¾	(£271¼-274¾)

SILVER

Turnover: 171 (156).

Silver was fixed 7.2p an ounce lower for spot delivery in the London bullion market yesterday at 431.9p. US cent equivalents of the fixing levels were: spot 616.3c, down 6.7c; three-month 621.4c, down 6.95c; six-month 633.55c, down 6.8c; and 12-month 658.35c, down 7.25c. The metal opened at 430½-432½p (611-613c) and closed at 441½-443½p (605-607c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	431.90p	−7.30	427.75p	−8.75
3 months	444.45p	−8.15	441p	−9.5
6 months	458.16p	−8.20	—	—
12 months	483.85p	−8.55	—	—

LME—Turnover: 58 (126) lots of 10,000 oz.

Cash high/low 429.5; three months high 443p, low 441p, final kerb 439-41p.

MEAT

Despite weaker physicals, prices rallied due to short-covering and fresh speculative buying, reports Eastern Capital-CCST.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	103.50	103.00	103.50-103.00
April	103.50	103.00	103.50-103.00
June	101.40	100.70	—
Aug.	99.90	99.30	99.90-99.50
Oct.	105.90	106.00	106.00-105.90
Nov.	106.76	106.76	106.80-106.80

Sales: 44 (29) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 94.59p per kg lw (+1.13). GB—Sheep 182.89p per kg est dcw (+8.79). GB—Pigs 71.84p per kg lw [illegible]

INDICES

FINANCIAL TIMES

Jan. 31	Jan. 30	M'th ago	Year ago
[illegible]	[illegible]	[illegible]	298.91

(Base: July 1 1952=100)

REUTERS

Jan. 31	Jan. 30	M'th ago	Year ago
1840.8	1844.5	1776.5	2019.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 31	Jan. 29	Month ago	Year ago
Spot	131.00	131.88	—	122.73
Fut.	130.63	131.44	—	190.10

(Base: December 31 1931=100)

• Not available due to suspension of the LME

SOYABEAN MEAL

	Yesterday close	+ or −	Business Done
	£ per tonne		
Feb.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]

Sales: 495 (248) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $139.50 ($138.50), down $1.50 (down £2.00) a tonne for January-February delivery. White sugar $178.00, unchanged.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar.	153.8-164.0	162.4-162.8	164.4-161.0
May	162.8-162.8	168.8-169.8	165.4-158.8
Aug.	168.8-169.4	166.2-166.6	168.5
Oct.	174.2-175.0	171.8-172.0	174.4-171.4

Sales: 1,420 (2,105) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £202.50 (£203.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 30: Daily price 5.28 (0.30); 15-day average 4.60 (4.78).

PARIS — (FFr per tonne): March 1310-1314, May 1340-1345, August 1380-1385, Oct 1417-1425, Dec 1450-1465, March 1510-1520.

OIL

Brent prices drifted lower in very thin trade prior to the Opec meeting. In the petroleum products market, gas oil firmed slightly on a prompt squeeze. Naphtha weakened as prompt oil was barely talked about and most bids heard were for forward positions. Fuel oil was very quiet—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.35-17.40*	N/A
Brent Blend	18.40-18.45	−0.675
W.T.I. (1pm est)	19.25-19.35*	−0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	205-210	—
Gas Oil	197-200	+8
Heavy fuel oil	89-103	—
Naphtha	195-198	−2.5

* March

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Feb.	198.50	−3.50	199.00-93.00
Mar.	[illegible]	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]
Sep.	[illegible]	[illegible]	[illegible]

Turnover: 3,973 (4,228) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel. (Close, change, business done): Index 18.65, +0.33; March 18.00-18.50, −0.625, 18.20-18.00; April 18.00-18.20; May 18.00-18.20; June 18.00-18.50.

POTATOES

Follow-through selling weakened values by almost £1.00 before fresh buying erased most of the fall. Afternoon trade was steady but quieter, breaking over £90.00, basis April, but failing to maintain the strength through to the close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	73.30	74.00	75.00
Apr	89.80	80.16	90.20-88.20
May	97.00	98.60	97.00-95.10
Nov	76.60	78.00	—
Feb	84.30	85.00	—

Sales: 723 (1,317) lots of 40 tonnes.

COCOA

Futures traded in quiet conditions in a narrow range for much of the day until a rally on late closes lifted prices to the highs. Both producers and consumers were withdrawn but good second-hand interest for the nearby positions was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
March	1739-1740	+6.6	1741-1735
May	1734-1730	+8.5	1738-1722
July	1756-1767	+7.0	1760-1748
Sept.	1782-1783	+8.6	1786-1775
Dec.	1802-1803	+2.0	1805-1798
March	1824-1825	+8.5	1824-1818
May	1836-1840	−2.5	1258

Sales: 2,424 (2,105) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for January 31: 104.60 (103.57); five-day average for February 3: 104.13 (104.21).

COFFEE

Trading appeared confused. With the market due £100 lower following New York, the opening was £75 lower and prices recovered to unchanged in very light volume. The market then traded in a very narrow range with little fresh fundamental or technical news, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
Jan.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

Sales: 9,405 (9,390) lots of 5 tonnes. ICO Indicator prices (US cents per pound) for January 30: Comp daily 1979 [illegible]

US MARKETS

PRECIOUS METALS came under aggressive selling pressure in response to reports that the South African Government was willing to make concessions with regard to pass laws, reports Heinhold Commodities. Copper and aluminium came under pressure as fresh selling developed in response to the weakness in precious metals. Sugar firmed on good buying linked to Russian inquiry. The lack of producer selling led to a recovery in cocoa values. Coffee traded mixed with light support developing in March on the failure of Brazil to reduce minimum registration prices. Cotton gained ground on the belief that advanced deficiency payment will not relieve nearby supply tightness. The oil markets remained in the doldrums with buyers withdrawn, awaiting news from the February 3 Opec committee meeting which will spell out Opec's new production target. The grain complex traded mixed with light professional selling pressuring nearby wheat values. The soyabean complex moved lower in response to rainfall in Brazil and weak product demand.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	53.45	—	—	53.75
March	53.80	54.25	53.65	54.30
April	54.00	—	—	54.30
May	54.25	54.50	54.10	54.85
July	54.80	56.00	54.80	55.15
Sept	55.35	—	—	55.65
Dec	56.20	—	—	56.40
Jan	55.50	—	—	56.65
March	[illegible]	—	—	[illegible]
May	[illegible]	—	—	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	56.75	58.00	56.60	59.35
March	55.28	56.00	55.28	57.28
April	53.45	54.20	53.45	55.45
May	51.60	52.65	51.47	53.47
June	51.90	52.40	51.31	53.31
July	51.45	52.70	51.50	53.40
August	52.80	53.45	52.80	54.60
Sept	54.50	—	—	54.70
Oct	54.50	54.50	54.50	55.20
Nov	55.00	55.00	55.00	56.00

SPOT PRICES—Chicago loose lard 18.50 (same) cents per pound. Handy and Harman silver bullion 606.0 (619.0) cents per troy ounce.

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	20.48	20.68	20.40	20.66
August	20.57	20.75	20.45	20.75
Sept	20.55	20.65	20.50	20.65
Oct	20.50	20.60	20.40	20.65
Dec	20.82	20.95	20.70	20.93
Jan	20.93	—	—	21.05

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	327.2	328.8	324.4	328.2
May	288.2	289.6	289.2	287.6
July	270.0	271.8	267.4	269.6
Sept	271.2	273.0	269.6	270.2
Dec	284.8	284.8	281.4	283.2
March	287.8	—	—	286.4

RUBBER

PHYSICALS — The market opened slightly steadier, met resistance at the higher levels and closed quiet and slightly easier, reports Lewis and Peat. Closing prices (buyers): Spot 60.00p (same). March 59.00p (59.25p). April 58.90 (59.75p). The Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg RSS No 1 was 185.5 (185.6), and for SMR 20 189.6 (166.5).

GRAINS

Business done—Wheat: March 116.65-6.20, May 120.30-19.90, July 122.70-2.35, Sept 99.30-6.10, Nov 102.40-2.30. Sales: 454 lots of 100 tonnes. Barley: March 114.50-4.40, May 118.05-7.75, Sept 98.10-7.90, Nov 161.25-1.05. Sales: 135 lots of 100 tonnes.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Mar.	116.65	+0.25	114.40	—
May	120.25	+0.05	118.00	+6.10
July	188.70	—	—	—
Sept.	99.30	−0.20	97.90	−0.45
Nov.	102.40	−0.30	161.05	−0.45

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Feb 136, March 136, April-May 125.75 transhipment east coast. US No 2 soft red winter Feb 123.25, March 121.50 sellers. EC French Jan 139 seller. English feed fob customs cleared 125 buyer, Feb 188.50 seller, March 119-120, April-May-June 122.75-123.25 buyers-sellers, Sept 102 seller, Oct-Dec 105.25-105.75, Jan-Feb-March 111-111.75 buyers-sellers. Maize: US No 3 yellow-French transhipment east coast Jan 141. Barley: English feed fob Feb 112.50. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: Eastern 111.30, E Mids 113.10, N East 112.50, Scotland 116.10. The UK monetary coefficient for the week beginning Monday February 10 (based on HGCA calculations using three days' exchange rates) is expected to remain unchanged at 1.081.

FREIGHT FUTURES

The January position expired at midday at 853 on the basis of a five-day BFI average. The physical market gave no indication to the behaviour of the April position, which at one stage rose to 915 on short-covering and renewed trade buying, reports Clarkson Wolff. The Baltic Freight Index was 831, down 5.5. The Baltic Tanker Index was 878.5, down 9.5.

	Close	High/Low	Prev.
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	[illegible]

Run to record levels continues and FT index closes the week 34.8 up at 1161.0

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 13	Jan 23	Jan 24	Feb 3
Jan 27	Feb 6	Feb 7	Feb 17
Feb 10	Feb 20	Feb 21	Mar 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

The fundamentals responsible for the charge forward in leading stocks to record levels this week were unchanged yesterday. The change of sentiment over interest rates has been a major factor and investors have also taken heart from a steadier trend in North Sea oil prices. This has eased the pressures on the sterling exchange rate.

Fears of dearer money have not completely faded, but it is hoped that the recent cut in the Japanese discount rate will have repercussions in both America and Europe. The Japanese Finance Minister called yesterday for the major industrialised nations to reduce rates to help the developing countries with their debt problems.

Equity market interest has recently switched away from blue chip issues to a wide range of speculative situations but this has not stopped the FT Ordinary share index progressing to new peaks. Yesterday it rose 4.6 more and for the second consecutive session closed at a best-ever level. Over the five-day period, the index has risen nearly 35 points to 1,161.0 The FT-SE 100 share index gained 5.9 yesterday to 1,435.0, some 20 points below the highest since compilation.

The search for the next bid candidate continued to generate a high level of business. Rumours that a predator was ready to pounce on **Beecham** refused to subside, despite Thursday's denial, and the price of the shares again fluctuated. Speculators' appetites were whetted further by the offer for Exchange Telegraph, and renewed talk that a major merger or takeover was in the offing.

Government securities were beneficiaries of the pound's better showing against other leading currencies. Business was light but longer-dated issues edged higher in the absence of any worthwhile selling to close with rises extending to ½. The market hesitated before the official 3.30 pm close on thoughts of possible fresh Government funding. In its absence, however, the tone improved in the after-hours' trade.

Hambros up again

Comment on **Hambro Trust's** surprise decision to sell its shareholding in **Hambros** induced further good support for both companies yesterday. Hambros advanced 17 more making a two-day advance of 52 to a new peak of 217p, while HT jumped 29 for a two-day gain of 60 to 247p. Estate Agents **Bairstow Eves** rose 9 afresh to 162p in sympathy. Other merchant banks also continued firmly with **Hill Samuel** closing 5 higher at 370p and **Leopold Joseph** 7 dearer at [illegible]. By way of contrast, clearing banks drifted lower for want of support. **Barclays** cheapened 5 to 458p, but retained a rise of 25 on the week at 458p following the proposed $500m floating rate note issue. **Midland** declined 8 at 430p and **Lloyds** relinquished 9 at 453p. **NatWest** ended 5 off at 693p.

Abbey Life, a firm market last month following several New Year investment recommendations, returned to prominence in Insurances yesterday; the shares touched 217p, before closing a net 12 higher on balance 213p, amid vague rumours that ITT of the US had sold its shareholding in the group for around 275p per share to Citicorp. Among other Life issues, **Britannic** put on 10 to 830p and **Sun Life** added 17 at 835p.

Quiet conditions again prevailed among leading Breweries, which settled a couple of pence firmer for choice. Among Regionals, **Davenports** were marked 37 higher to 410p in response to the increased and final offer from **Wolverhampton and Dudley**, unchanged at 415p.

George Wimpey were a particularly firm market as US bid rumours revived and touched 146p prior to closing 3 higher at 143p. **Redland** attracted buyers at 373p, up 3, and **RMC** improved 4 to 494p. **Blue Circle** however, continued to reflect the poor results from its Malayan subsidiary and slipped to 540p before settling 5 off at 543p. **Rugby Portland Cement**, a strong market recently on takeover speculation, encountered profit-taking and softened a couple of pence to 159p. Secondary Buildings displayed numerous bright features. **Ward Holdings** were supported following reports of a broker's circular and rose 18 to 276p, while USM-quoted **Polypipe** attracted buyers for the same reason and raced up 32 to 235p in a restricted market. Investors again favoured **Henderson Group**, up 8 more at 250p in a market short of stock, and **Ruberoid**, 7 higher at 222p. **Attwoods** revived with a gain of 6 at 140p, while **Copson** put on 2½ to 36½p, but profit-taking in the wake of the interim results clipped 4 from **Robert M. Douglas** at 91p. **Pochins** continued to trade firmly in the wake of a newsletter recommendation and rose a further 20 to 350p for a gain on the week of 45. **Bellway** rose 9 to 151p on speculative buying.

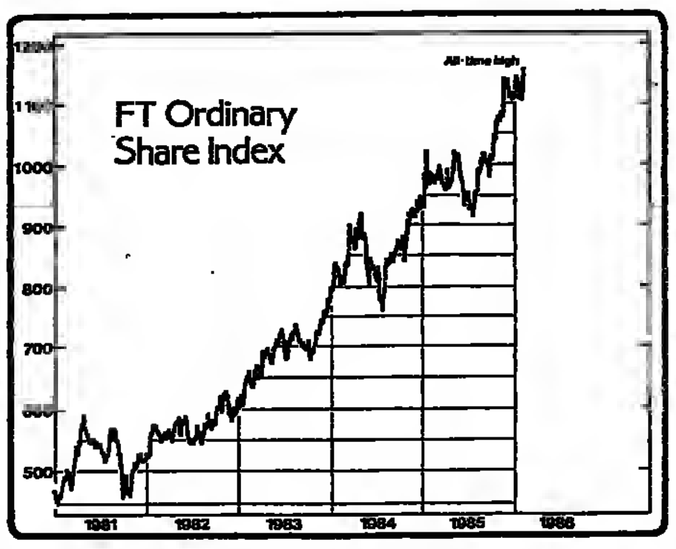
ICI were boosted by traded option activity and US buying and touched 820p before settling 10 higher at 816p. Among other Chemicals, takeover speculation lifted **Hickson International** 7 more to 392p and **Rentokil** 6 to 167p.

Burton feature

Leading Retailers closed the first leg of the Account in relatively subdued form. **Burton**, however, attracted revived and often sizeable buying and advanced 12 for a gain on the week of 54 to 552p. **Dixons** rose 24 more to 974p, but recent speculative favourite **Sears** encountered occasional offerings and dipped a couple of pence to 115p. Elsewhere, **Executex Clothes** were again wanted and improved 7 to 54p—a rise of 14 over the five-day period, while **Andre De Brett**, interim results expected on Monday, put on 3 to 25p. **A. Goldberg** met revived demand in the wake of a broker's visit and rose 5 more to 105p, while **Martin Ford**, annual results due next Thursday, closed 2½ up at 56p. **Lee Cooper** ended another 5 dearer at 218p.

BICC, a further 5 better at 288p, continued to reflect its participation in the Channel Tunnel consortium, while **British Telecom** firmed a few pence more to 188p, still on relief that its £150m bid for Mitel of Canada had escaped a Monopolies Commission reference. **Mitel** closed 21 lower at 360p. Nervously sold of late on fears that the Ministry of Defence might cancel the expensive Nimrod contract, **GEC** rallied 4 to 170p. **Plessey** put on a couple of pence to 184p and **STC** reflected recovery hopes with a rise of 8 at 110p. Elsewhere, **A. G. Security** advanced 7 to 37p and **Louis Newmark** appreciated 20 to 260p in response to Press comment. Speculative buying pushed **George Scholes** up 20 to 465p in a thin market and **Automated Security** the same amount to 160p. Comment on the annual figures left **Domino Printing** 30 to the good at 305p, while **Electronic Machine** improved a few pence to 58p on further consideration of this week's announcement that Mr Cawthorne had increased his stake in the company to over 8 per cent. **Questel** found support at 178p, up 21 and **FKI** firmed 3½ at 56½p. **Amstrad** paused for breath and closed a couple of pence easier on the session, but still 64 higher on the week at 256p; the rise followed a bullish forecast from brokers Wood Mackenzie that home computer sales would rise by 18 per cent.

Engineers recorded several noteworthy movements. **Vosper** slumped to 183p before closing 34 down at 192p on the proposal to wind up its Singapore subsidiary Vosper Private. **Yarrow** were also dull at 560p, down 20, on disagreement with the increased offer from Weir Group. **Pegler Hattersley**, in contrast, met with further investment demand and put on 16 to 364p, while **Simon** were again supported at 204p, up 6. Comment on the interim figures left **ML Holdings** 10 cheaper at 338p, but **F. Cooper** firmed 2 to 40p on news at E. B. Kirk has acquired from F. R. Cooper 10.22 per cent of the issued share capital of Cooper and has taken up an option on a further 2.5 per cent of his shareholding. Dealings were temporarily suspended in **Thomas Robinson** at 182p, and **Wadkin**, at 170p, pending an announcement.



Leading Foods ended the first leg of the Account on a subdued note with small irregular movements the order of the day. Elsewhere, recently-neglected **Christian Salvesen** revived strongly and rose 7 to 132p, while **A. G. Barr** gained 9 more to 300p in a restricted market. **Associated Fisheries** shed 5 to 120p following comment on the annual results.

Among Hotels and Caterers, **Garfunkels** found support and firmed 6 to 136p, while **Isle of Mann Enterprises** gained 10 to 70p in a restricted market. **Mount Charlotte** added 4 to 92p on speculative buying.

Beecham improve

Beecham, despite the company's denial of recent bid or merger talk, continued to meet speculative demand and put on 8 to 366p. Other movements in the miscellaneous industrial leaders were limited to a few pence either way. Elsewhere, **Prestwich** advanced 14 to 132p on news that the company had reached agreement with Heron Corporation with regard to the termination of the latter's royalty contract on the video collection. **Extel** advanced to 403p before settling 15 higher at 395p on news of the bid of 409p per share, subsequently rejected, from Demerger Corporation. Comment on the preliminary figures prompted renewed firmness in **Rank Organisation**, which hardened 3 more to 497p, after 503p, for a two-day rise of 57. **London and Northern** were good at 71½p, up 12, on the announcement that legal proceedings against the company had been discontinued and that the amount of £5.25m, which had been put into escrow, has been released back to the group. Buyers showed interest in **F. H. Tomkins**, 12 to the good at 225p, and **Suter**, 8 dearer at 188p. Speculative activity lifted **Lep Group** 6 more to 287p and **Clement Clarke** 8 further to 168p. **Duport** continued to make progress with a fresh rise of 4½ to 70½, while **Bowater**, reflecting news that Hanson Trust had increased its stake in the company, put on 15 to 300p.

Bid rumours continued to surround casino group **Aspinall** and the close was 6 higher at 179p, a gain on the week of 22. Elsewhere in the Leisure sector, **Samuelson Group** attracted revived demand and rose 10 to 275p, while **Chrysalis** gained the same amount to 213p. **Fairline Boats**, a firm market recently in the wake of the annual meeting, slipped 4 to 144p on profit-taking.

Jaguar traded in lively fashion and closed 3 dearer at 390p, while **Lucas** improved the same amount to 511p. **BBA**, which made an agreed bid for Automotive Products at the beginning of the week, rose a further 10 to 193p, with **AP** similarly higher at 191p in sympathy. Among Motor Distributors, **BCA** attracted speculative support at 107p, up 4, while **Kenning** hardened a couple of pence to 160p.

Publishers lacked a decided trend. **EMAP A** responded to fresh speculative support and advanced 10 to 153p, but profit-taking clipped a few more pence from **United Newspapers**, 320p. Paper/Printings, on the other hand, made further headway, with **BPCC** another 5 to the good at 223p, and **Bunzl** 7 up at 500p, after 503p. Buyers displayed renewed enthusiasm for **David S. Smith**, 5 up for a gain on the week of 30 to 177p. **Osprey Communications** hardened 3 to 56p despite the interim profits setback.

Properties attracted selective buying interest. **British Land** were favoured and gained 5 to 155p, while **Brixton Estate** firmed 4 to 145p. **Haslemere Estates** picked up 7 at 495p and **Hammerson A** hardened 5 at 455p. Buyers returned for **Greycoat**, up 8 more at 232p, and **Laing Properties**, the same amount higher at 285. Comment in the Financial Times directed fresh support towards **Rosehaugh** which moved up 25 to 435p, while **Regalian** rose 15 to 360p on dockland development prospects.

Textiles finished an extremely lively week on a bright note. **Courtaulds** again led the way, rising 7 for a two-day advance of 12 at 214p. **Dawson International**, a depressed market recently following the proposed merger with Coats Patons, rallied a few pence to 202p, while "call" option business limited **Tootal** a penny more to 82½p.

Speculative counters continued to make useful progress with **Illingworth Morris** another 6 to the good at 100p and **Sirdar** 7 up at 152p. **Don Bros Buist** were marked 10 higher to 142p, while **Towles A** put on 4 for a two-day rise of 11 to 76p.

Tobaccos were irregular. **Imps** dipped 4 to 246p, after 242p, in the wake of Hanson Trust's latest offensive, but revived demand was evident for **Rothmans International**, finally 5 dearer at 136p, after 138p.

Carless move ahead

A gradual decline in North Sea oil prices ahead of next week's OPEC meeting effectively dampened interest in the leading oils which moved narrowly. **BP** traded quietly and ended the session a shade easier on balance at 577p, but **Shell** edged up 2 to 670p. **Ultramar** put on 3 to 215p.

Secondary oils provided a firm feature in **Carless Capel** which jumped to 91p on rumours of an imminent bid before closing a net 5 to the good at 87p. **Premier Consolidated** added a penny more to 34p, still boosted by talk of a three-way merger with Clyde Petroleum and Goal; on Monday Premier revealed it had acquired an 11 per cent interest in Goal.

Overseas Traders continued to advance across a broad front. **Lonrho**, still buoyed by consortium takeover rumours, rose 5 to 232p following the favourable reception given to the preliminary results. **Inchcape** were also in demand at 340p, up 7, while **Paterson Zochonis** improved 10 more to 213p. **Polly Peck** rallied 7 more to 165p.

Golds quiet

President P. W. Botha's major policy speech at the opening of the South African Parliament proved very much an anti-climax to South African mining markets. London dealers expressed general satisfaction with the proposed moves on social reform in the republic, but international operators preferred to adopt a wait-and-see attitude to the latest developments.

Gold shares opened with widespread falls ahead of the Botha speech, but this was generally regarded as a reaction to overnight US selling. Bullion's decline over the session did little to encourage buying interest and share prices consequently drifted easier for much of the day, to leave the Gold Mines index with a 0.9 fall on the day to 341.3; over the week the index improved 13.8.

Little interest was shown in Australians which were no better than mixed in overnight Sydney and Melbourne markets. A handful of the Golds responded to continuing London support most notably **Pancontinental**, up 3 at 98p.

Activity in the Traded Option market continued to highlight **Lonrho** which attracted 2,496 calls, the May 220's and 240's contributing 502 and 759 trades respectively, as operators took fresh positions amid widespread speculation of a consortium takeover. **Imperial Group** were also extremely active and recorded 1,963 calls, 747 in the May 240's, and 1,231 puts, the February 240's proving popular with 509 trades struck. Recent strength in the underlying security prompted interest in **Courtaulds** which attracted 1,008 calls. The FT-S 100 index contract attracted another lively and evenly-balanced business with 832 calls and 912 puts traded. Total contracts transacted amounted to 14,854.

EEC production rises

Industrial production in the European Community is estimated to have risen 3.5 per cent in 1985, according to the statistical services of the Commission. This compares with 2-2.5 per cent for the US and 4.5-5 per cent for Japan.

The Community's industrial production index at the end of November stood at 113.5 before seasonal adjustment, an increase of 5.2 per cent over a year before. The average of the index for the three months to November was 1 per cent higher than in the preceding three months, reflecting, said the Commission, "a definite rise in the growth rate."

FINANCIAL TIMES STOCK INDICES

	Jan. 31	Jan. 30	Jan. 29	Jan. 28	Jan. 27	Jan. 24	year ago
Government Secs	80.34	81.25	81.11	81.15	80.61	80.74	78.27
Fixed Interest	87.24	87.12	87.14	87.15	86.70	86.72	85.44
Ordinary ♥	1161.0	1156.4	1160.0	1165.4	1158.4	1126.2	877.5
Gold Mines	341.3	342.2	337.9	347.7	307.0	327.5	482.0
Ord. Div. Yield	4.45	4.46	4.48	4.46	4.53	4.37	4.42
Earnings, Yld. % (full)	10.82	10.85	10.89	10.86	11.01	10.71	11.05
P/E Ratio (net) (*)	11.51	11.47	11.43	11.47	11.30	11.68	10.87
Total bargains (Est.)	28,003	25,864	89,194	27,048	26,280	25,205	26,356
Equity turnover £m.	—	555.62	558.15	516.09	568.20	558.5	296.90
Equity bargains	—	23,765	05,705	28,518	25,872	27,866	18,736
Shares traded (ml)	—	956.8	289.9	290.4	275.7	625.1	145.2

♥ 10 am 1155.0. 11 am 1158.5. Noon 1160.0. 1 pm 1160.2. 2 pm 1159.8. 3 pm 1161.4. 4 pm 1121.2. Day's High 1121.8. Day's Low 1154.7. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1074. Latest Index 01-246 8026. *Nil=11.07

HIGHS AND LOWS

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10/85)	78.02 (28/1/85)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.98 (25/10/85)	82.17 (28/1/85)	150.4 (28/11/47)	50.55 (3/1/75)
Ordinary	1161.0 (31/1/86)	811.0 (5/12/85)	1161.0 (31/1/86)	49.4 (26/6/40)
Gold Mines	536.0 (15/4/85)	217.6 (5/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

INDICES	Jan. 30	Jan. 29
Daily		
Gilt Edged Bargains	185.7	137.5
Equities Bargains	154.0	167.1
Value	1082.4	1277.7
5 day Average		
Gilt Edged Bargains	136.6	138.5
Equities Bargains	168.0	169.5
Value	1257.4	1300.9

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 3	Feb 14	May 8	May 19
Feb 17	Feb 28	May 29	June 9
Mar 3	Mar 14	June 12	June 23

For rate indications see end of Unit Trust Service

Call options were taken out in Cowan de Groot, Munton Bros, Vosper, Hongkong and Shanghai Banking, Apricot Computers, Povlon, Duport, Sound Diffusion, Kwik-Fit, George Wimpey, Tootal, Delta Group, Hanson Trust, A. G. Stanley, Barrack Mines, STC, Polly Peck, Amstrad, Racal, Energy Capital, Tiphook, International Signal and Control, Audiotronic and Bestwood. A put was done in Westland, but no doubles were reported.

LEADERS AND LAGGARDS

Gold Mines Index	+36.99	Leisure	+ 2.03
Office Equipment	+11.96	Mechanical Engineering	+ 1.94
Motors	+11.41	All-Share Index	+ 1.53
Mining Finance	+11.27	Industrial Group	+ 1.53
Metals and Metal Forming	+10.12	500 Share Index	+ 1.50
Textiles	+10.02	Oils and Gas	+ 1.29
Insurance Brokers	+ 0.41	Investment Trusts	+ 1.26
Electricals	+ 2.55	Consumer Group	+ 1.22
Tobaccos	+ 6.73	Financial Group	+ 1.05
Health and H'sehold Products	+ 6.55	Brewers and Distillers	+ 0.35
Other Industrial Materials	+ 6.12	Insurance (Life)	+ 0.33
Merchant Banks	+ 4.58	Other Groups	— 0.28
Chemicals	+ 4.53	Property	— 0.34
Insurance (Composite)	+ 4.16	Food Manufacturing	— 0.48
Packaging and Paper	+ 4.06	Banks	— 1.69
Capital Goods	+ 4.02	Food Retailing	— 2.39
Publishing and Printing	+ 3.64	Telephone Networks	— 2.63
Building Materials	+ 2.94	Stores	— 3.04
Contracting, Construction	+ 2.44		
Overseas Traders	+ 2.24		
Shipping and Transport	+ 2.16		
Electronics	+ 2.06		

Percentage changes since December 31 1985 based on Thursday, January 30 1986.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or —	Net Div.	Times covered	Gross Yield	P/E Ratio
120	F.P.	10/1	250	195	Abbott Mead Vickers	228	......	bg2.8	3.5	1.8	23.5
135	F.P.	0/1	106	174	Ashley (Laura) 5p	178	......	bg1.88	3.1	1.5	30.5
§150	F.P.	—	170	166	✠Brookmount	167	—2	bg3.5	4.4	5.0	10.8
e27	300	7/5	310	285	Cable & Wireless 50p	302	+5	F9.5	2.8	2.3	16.2
§63	F.P.	23/1	70	64	✠Chancery Securities	67	+1	bg2.2	2.6	4.7	10.4
§86	F.P.	10/1	88	85	✠Chart. Foulks Lynch	88	......	bg3.0	1.9	4.9	15.4
120	F.P.	24/1	130	112	Chetwynd Streets 5p	128	......	b2.11	3.5	0.4	17.5
§85	F.P.	17/1	101	96	✠Cranswick Mill 10p	101	......	bg5.32	2.9	7.5	8.7
§56	F.P.	51/1	55	59½	✠Granyte Surface 10p	60	......	b2.1	2.6	6.0	10.0
—	F.P.	—	175	100	Intl. Inv. Tst. J'rsy wts	162	......	—	—	—	—
120	F.P.	10/1	125	115	✠Jacques Vert 10p	118	+1	bg5.5	1.9	6.7	11.1
12	F.P.	—	120	116	Klearfold Inc. $0.01	120	+2	bQ4.7c	6.0	9.6	12.2
§15	F.P.	7/2	122	110	Lexicon Inc. $0.01	115	......	uQ5.4c	3.9	3.0	12.8
105	F.P.	—	122	112	Macro 4 5p	125	+3	bg1.0	6.6	1.1	19.2
§127	F.P.	—	134	125	✠Microsystems 10p	126	+1	bg1.75	4.6	2.0	15.0
§90	F.P.	22/1	104	21	✠Norank Systems 5p	96	—1	bg6.0	0.4	4.5	13.2
¶¶350	F.P.	—	345	553	Really Useful Grp. 5p	345	+5	b11.25	2.2	4.7	14.2
100	F.P.	3/1	110	102	SAC Intnl. 10p	112	......	b1.5	5.8	1.8	20.4
§101	F.P.	14/2	107	87	✠Sigmax Intl.	87	......	uo55	19.5	0.0	8.1
¶¶	F.P.	—	316	977	Storehouse 10p	507	......	u5.7	2.6	2.7	19.1
§00	F.P.	—	103	67	✠WYorks. Ind. Hos. 50p	70	......	b4.0	1.2	3.2	9.5
140	F.P.	—	144	140	✠Wickes 40p	141	+1	bg2.0	4.7	2.0	14.9

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or —
27.205	25	4/4	24⅝	20¼	Allied Lon. Props. 10½% 1st Mort. Deb. 2025	21⅛	+⅛
§28.745	£25	11/4	25¼	23¾	First Scot. Am. 11½% Deb. 2016	25¼	+¼
£12*	F.P.	—	113½p	87p	Intl. Inv. Tst. Jersey 13% Cum. Red. Pf	93p	......
I	Nil	—	3pm	7½pm	Lon. Shop Prop. 9¼% Cnv. Uns. Ln. '99/04	3pm	+¼
100	£10	30/5	10½	10	Mid Sussex Wtr. 6¼% Red. Pref. 1902	10½	......
—	F.P.	—	99¼	92⅛	Nationwide Bldg. Soc. 12% 12/1/87	99¼	+
§09.515	£40	26/2	40⅛	36	Rosehaugh Graycoat 11% 1st Mt Db 2014	36⅛	+⅛
§02.706	£40	28/2	40¼	36¼	T. T. Finance 11⅝% Gtd. Deb. 2016	58½	......

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or —
82	Nil	3/5	12pm	7pm	✠Cannon St. Invs. 20p	7pm	—1
100	Nil	7/3	23pm	13pm	Chemring Cnv. Pfd. Ord. 5p	17pm	......
750	Nil	—	80pm	56pm	CALA 50p	55pm	—5
235	Nil	—	63pm	45pm	Cray Electronics 10p	53pm	+2
R8.50	Nil	7/2	140pm	100pm	East Rand Prop	190pm	—5
32	F.P.	91/2	55	49	Goal Petroleum 5p	54	——
040	F.P.	21/2	310	257	Hogg Robinson	310	——
16	F.P.	12/2	29	17	✠Imtec 10p	22	—1
565	F.P.	7/5	465	400	Peel Hldgs	465	+5
15	F.P.	7/5	18½	17½	Stormgard 10p	18	......
900	Nil	27/3	25pm	24pm	Telfos Units††	24pm	......
70	F.P.	17/2	84	79	Triplex	83	......
62	F.P.	65/2	112	80	Unigroup 12p	114	—4

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Assumed dividend and yield. *F* Forecast dividend cover on earnings updated by latest interim statement. *H* Dividend and Yield based on prospectus or other official estimates for 1986. *t* Indicated dividends: cover relates to previous dividend: p/e ratio based on latest annual earnings. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ✠ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). * Units comprising 12 preference shares and one warrant, at £12 per unit. †† Units comprising two ordinary, one preference and one warrant.

NEW HIGHS AND LOWS FOR 1985/86

NEW HIGHS (121)

BRITISH FUNDS (1). AMERICANS (2). BANKS (5). BREWERS (1). BUILDINGS (12). STORES (6). ELECTRICALS (3). ENGINEERING (14). FOODS (3). HOTELS (2). INDUSTRIALS (26). INSURANCE (1). LEISURE (2). MOTORS (6). PAPER (7). PROPERTY (5). SHOES (1). TEXTILES (5). TRUSTS (15). OVERSEAS TRADERS (1). PLANTATIONS (1). MINES (2).

NEW LOWS (9)

AMERICANS (1) Microcomputer Memories. CANADIANS (2) BCE. Bow Valley. ELECTRICALS (1) Mitel Corp. OILS (3) Hamilton Oil. Sceptre Resources. Southwest Resources. PLANTATIONS (2) Bertram. Malaysian Plantations.

RISES AND FALLS YESTERDAY

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	71	3	35	289	123	137
Corporations, Dom. and Foreign Bonds	35	4	43	118	73	916
Industrials	426	914	870	2,196	983	4,371
Financials and Properties	82	31	458	898	277	1,682
Oils	21	32	72	133	122	370
Plantations	7	2	6	14	6	70
Mines	24	47	111	222	214	470
Others	52	82	83	370	320	388
Totals	716	416	1,681	4,244	2,112	7,707

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Abbey Life	213	+12	Extel	395	+15
Aspinall	179	+ 6	ICI	816	+10
Barham	141	+ 2	Imperial Group	246	— 4
Beecham	366	+ 8	Jaguar	390	+ 3
Boots	243	— 1	London and Northern	71½	+12½
Courtaulds	214	+ 7	STC	110	+ 8

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Thur. close	Day's change	Stock	No. of changes	Thur. close	Day's change
Rank Organ.	22	494	+54	Marley	15	112	+ 5
Westland	22	133	+ 5	Pilkington Br.	16	356	+15
Amstrad	21	258	+16	Lee Cooper	14	213	+23
Beecham	20	358	— 5	Bejam	13	172	— 2
Glaxo New	17	870	—10	Br. Aerospace	13	462	+11
Cwn. de Groot	15	67	+ 7	ICI	13	806	+ 4

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday.

Stock	No. of changes	Last Thur. close	Change on week	Stock	No. of changes	Last Thur. close	Change on week
Beecham	163	358	—2	ICI	105	806	+21
Westland	158	133	+10	Coats Patons	100	224	+23
Acorn Comptr.	114	88	+28	Distillers	96	560	—10
Jaguar	110	387	+39	Lonrho	90	227	+ 8
Boots	109	244	+10	Glaxo New	89	870	+45
Amstrad	105	253	+68	Auto. Prod.	84	181	+63

S E DEALINGS

UNLISTED SECURITIES MARKET

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

SPECIAL LIST

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

STOCK EXCHANGE DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities *not* included in the FT Share Information Services.

Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. △ Bargains done with non-member or executed in overseas markets.

STERLING ISSUES BY FOREIGN GOVERNMENTS AND INTERNATIONAL INSTITUTIONS

Asian Devel Bk 10¼pcLn 2009 (Reg) £98¼

Australia 9½pcLn 2012 (Reg) £86¼⊕. 11½pcLn 2015 (Reg) £102⅛ (29/1)

European Invest Bk 10¾pcLn 2004 (Reg) £94⅝ ⅞. 11pcLn 2002 (Reg) £101¼

Finland 11½pcLn 2009 (Reg) £101½ ⅝ (28/1). Do (Br) £101 (27/1)

Inter-American Devel Bk 9¼pcLn 2015 £87½

Intnl Bk Rec Dev 9½pcLn 2010 (Reg) £86¼ (29/1). 11.5pcLn 2000 £103⅝ ¾

Ireland 12¾pcLn 2008 (Reg) £108¼ ¾

Malaysia 12¾pcLn 1988 (Reg) £99⅞

New Zealand 11¾pc 2008 (Br £5000) £99 (27/1). 11½pc 2014 (Reg) £102⅛

COMMERCIAL, INDUSTRIAL

A—B

AAH Hldgs 4.2pcPf (£1) 49½ (27/1)

A C Cars (5p) 80 (28/1)

AE 9pcLn 1989-94 £78 (29/1)

AMEC 15pcLn 1992 £113½

E—F

EIS 5pcPf (£1) 38 (28/1)

ERF (Hldgs) 18pcPf (£1) 87½

MONTHLY AVERAGES OF STOCK INDICES

	January	December	November	October
Financial Times				
Government Securities	81.21	83.09	83.57	84.15
Fixed Interest	87.34	88.94	89.12	89.96
Ordinary	1,127.5	1,113.9	1088.3	1054.2
Gold Mines	318.1	269.8	258.6	276.8
Total Bargains	24,606	22,768	26,560	22,980
F.T.— Actuaries				
Industrial Group	707.75	705.41	708.85	667.74
500 Share	744.03	740.30	745.83	709.13
Financial Group	516.04	513.92	528.88	497.88
All-Share	679.00	679.00	684.04	647.36
FT-SE 100	1401.9	1401.9	1409.2	1330.5

	January High	January Low
[illegible] Ordinary	1161.0 (31st)	1094.3 (14th)
[illegible] All-Share	696.41 (31st)	664.42 (14th)
FT-SE 100	1435.0 (31st)	1370.1 (14th)

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	107.7	113.9	+0.2	10.53
High Inc Equity	79.2	84.2	.....	5.88
Worldwide Bond	170.5	182.7	−1.2	5.31
Capital Growth				
American Growth	142.5	151.9	−1.4	1.95
Asian Pacific	42.2	45.3	−0.7	2.76
Amels & Engy. Tt.	84.4	90.2	+0.9	1.82
Capital Reserve	60.6	60.9	.....	—
Commodity & Engy.	71.3	76.2	−0.4	1.38
European Capital	70.5	75.0	−1.7	2.00
General	120.7	129.0	+0.6	3.29
Japan	55.4	59.5	+0.4	—
Mastertrust	52.5	55.9	−0.3	1.79
UK Growth Acc Units	112.9	121.3	+1.7	—
UK Growth Dist	78.8	84.7	+1.2	1.82
U.S. Emerging Co's	57.5	61.9	−0.8	0.42
Equities Prog	174.4	185.7	.....	4.11

Brown Shipley & Co Ltd (a)(g)

9-17 Perrymount Rd, Haywards Hth 0444 458144

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	120.1	129.5xd	-2.4	1.00
Income & Growth	47.4	50.4	+0.6	2.90
Special Situations	68.1	72.9	-0.4	2.10
American Growth	30.8	32.8	+0.2	3.18
Japan Growth	37.7	40.1	....	0.00
European Growth	51.2	54.8xd	-1.3	2.90
UK Growth	45.1	48.3	+0.3	1.90
Pacific Growth	32.3	34.6	-0.5	0.70
High Income	29.2	31.3	+0.1	8.10
Practical Income Units	44.9	47.8	+0.1	2.70
Practical Accum. Units	80.7	85.9	+0.1	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	74.9	79.7	+0.4	2.65
Accum Units	110.7	117.8	+0.6	2.65
Pearl Inc.	101.1	107.6	+0.6	4.62
Pearl Unit Tst.	106.9	111.7	+0.6	3.67
(Accum. Units)	183.0	194.7	+1.0	3.67
Pearl Intl Equity	105.7	112.4	-0.7	1.78
(Accum Units)	105.7	112.4	-0.7	1.78

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	274.7	291.1	-2.0	1.35
Income	159.9	171.2	+0.9	5.29
Worldwide Recovery	127.6	137.0	....	2.03
American Growth	63.4	68.1	....	1.04
Intl. Emerging Cos.	68.2	73.2	-0.2	0.70
Far East Growth Fd.	54.9	58.9	-0.7	1.15
European Growth Fd.	—	50.0	—	—

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	51.2	54.5xd	-0.2	5.53
Prolific Far East	119.6	128.6	-0.3	0.32
Prolific Extra Inc.	70.5	74.8xd	+0.5	5.23
Prolific C'vert & Gilt	83.8	88.9	+0.2	7.09
Prolific High Inc.	150.0	159.1	+1.9	4.57
Prolific Intl.	92.2	99.1	-0.4	1.72
Prolific N. Amer.	125.5	134.5	-1.5	2.43
Prolific Spec. Sits	165.7	175.7	+1.7	0.99
Prolific Technology	108.6	114.6	-0.9	0.56

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	57.1	60.8	+0.1	0.00
Japan Acc.	57.2	60.9	+0.1	0.00
Worldwide Inc.	58.6	62.4	-0.5	1.56

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	200.0	213.6	-1.5	2.25
(Accum. Units)	224.6	239.8	-1.7	2.25
(Withdrawal Units)	144.8	154.3	-1.0	2.25
Australian Fund	120.6	128.7	-0.2	0.89
(Accum. Units)	122.1	130.3	-0.3	0.89
British Fund	497.0	529.8	+5.0	4.50
(Accum. Units)	661.5	705.2	+6.7	4.50
European Fund	227.5	242.5	-4.3	1.02
(Accum. Units)	239.3	255.2	-4.5	1.02
Japan Fund	233.3	249.7	-0.5	0.39
(Accum. Units)	234.0	249.5	-0.5	0.39
Savers PPP	143.6	151.3	....	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	336.8	358.3	....	2.66
North America	53.2	56.3	....	1.80
Far East	57.5	60.9	....	0.75

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	26.3	28.0xd	....	1.8
American Income Acc.	26.8	28.5xd	....	4.4
American Income Inc.	26.5	28.2xd	....	4.4
European Growth Acc.	41.4	44.0	....	2.0
Far East Growth Acc.	30.2	32.1	....	0.8
Int. Growth Acc.	28.2	30.0	....	0.8
Japan Growth Acc.	37.0	39.4xd	....	0.3
UK Growth Acc.	30.6	32.6xd	....	2.3
UK Income Acc.	27.7	29.5xd	....	4.2
UK Income Inc.	27.1	28.8xd	....	4.3
Managed Growth Acc.	32.1	34.2	....	2.2
Managed High Yield Inc.	33.5	35.6	....	6.6
Managed Income Inc.	28.7	30.5	....	4.1

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	239.5	253.4	....	3.78
Equity Acc.*	288.3	305.0	....	3.78
Fixed Int. Dist.†	115.1	119.2	....	11.35
Fixed Int. Acc.†	168.9	175.0	....	11.35

*Prices on Jan 8. Next dealing Feb 12
†Prices on Jan 2. Next dealing Feb 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	103.5	110.3	-0.6	1.20
Do. Accum.	108.1	115.0	-0.6	1.20
TSB Extra Income	94.0	100.0	+0.5	5.81
Do. Accum.	108.1	115.1	+0.6	5.81

INSURANCES

هكذا عن الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey 0534 76011

BNP Intercurrency Fund Ltd				
US Dollar	$10.16xd		—	—
Sterling	£10.34xd		—	—
DMarks	DM20.33xd		—	—
BNP Interequity Fund Ltd				
North American	$10.33	10.70	+0.18	—
Far East	$10.96	11.47	+0.54	—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liedimer J. Baer SFr	$1.282	1.302		—
S-Baer, J Baer SFr*	$1.077	1.082	+1	—
DM-Baer, J.Baer DM Fd*	DM1.057	1.062		—

*Plus charge

Bamford Brandt Guernsey Magt. Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm.	$7.59	8.07		—
Pac. Basin Fund	$38.35	40.54		—

The Bangkok Fund
Bangkok First Inv & Trust Ltd (Inv Advisors)
300 Silom Road, Bangkok, Thailand
NAV Jan 22 BAHT 263,480.12 (US$9,907.13)

Bank of America International SA
35 Boulevard Royal, Luxembourg GD

Worldinvest Inc	$153.00	153.77		8.15

Valued weekly on Wednesdays

Barclays Unicorn International
1 Charing Cross, St Helier, Jersey 0534 73741

Unicorn Trust	41.4	43.2xd	+0.4	11.42
Uni-American Gwth Tst	$18.43	19.50		1.30
Unibond Trust	$97.32	98.16		9.60
£Stg Multicrcy. Fd.		£11.52		11.13
US$ Multicrcy. Fd.		$21.99		7.28
DM Multicrcy. Fd.		DM42.09		5.34
Yen Multicrcy. Fd.		Y3,200		5.79

1 Thomas St, Douglas, Isle of Man 0624 23232

Uni-Aust. Acc	78.3	83.3xd		1.95
Uni-Aust. Inc	76.3	81.2xd		1.3
Uni-Aust. Mineral Acc	60.2	64.1		1.7
Uni-Aust. Mineral Inc	58.2	62.0		1.8

The English Trust Group
16 Athol St, Douglas, Isle of Man 0624 20736

E.T. Far East	$17.34	21.96	+0.24	—

Next dealing Feb 7

Equity & Law International Fund Mgrs Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	110.2	117.2	−0.4	—
Far Eastern Equity	$1.008	1.072		—
North American Equity	$0.993	1.056	+0.010	—
UK Equity	95.6	101.6	+0.3	—
UK Gilt & Fixed Int	93.7	99.6	+0.2	—
Deutschmark Deposit	DM4.904	5.053		—
Dollar Deposit	$0.985	1.015		—
Sterling Deposit	99.1	102.1		—
Yen Deposit	Y492.6	507.8		—
Managed Currency	103.8	110.4	−0.4	—

Equity & Law International Life Assur Co Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	65.8	69.2	+0.5	—
Far Eastern Equity	$0.525	0.564	+0.002	—
North American Equity	$0.530	0.569	+0.022	—
UK Equity	50.0	52.7	+1.7	—
UK Gilt & Fixed Int	46.5	49.9	+0.6	—
Dollar Deposit	$0.477	0.512		—
Sterling Deposit	48.2	50.8	+0.1	—
Managed Currency	52.2	56.1	+0.6	—
International Managed	52.8	56.7	+1.0	—

Ermitage Management Ltd
19 Royal Square, St Helier, Jersey, CI 0534 76007

External Fund	$23.43	23.67		—
Bond & Curr Fd	$10.84	10.90		3.87
Cash Fund		£22.44		—

Ermitage Management Cayman Ltd
PO Box 2192, Grand Cayman, BWI

GAM Ermitage Inv Inc		$16.62xd		1.84
GAM Ermitage Ltd		$28.44		—
Cayman Cash Fd		$11.70		—
Hiscox	$13.02	13.25		—

Eurofund Management S.A.
10a, Boulevard Royal, Luxembourg

US Treasury Income Fd	$10.16			—

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966

	Gross	Net	Gr Equiv CAR	Int Cr
H.I.B.A.	11.50	8.60	12.83	Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol. 0272 732241

	Gross	Net	Gr Equiv CAR	Int Cr
Demand Acc	12.12	9.06	13.34	Qtr
Money Acc	12.04	9.00	13.29	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

	Gross	Net	Gr Equiv CAR	Int Cr
Special Acc	11.00	8.22	12.20	Mth
Over £10,000	11.25	9.41	12.49	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 3SE 0752 24141

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc	12.69	9.43	13.97	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk	35
BSR	8	NEI	18
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect	15
Boots	18	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	24
Grand Met	38	Peachey	24
GUS 'A'	78	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	45
Hawker Sidd	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985/86 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99½	96⅜	Treas. 10pcCnv 1986	99½	—	[illegible]	12.68
97¾	92¾	Treas 3pc 1986	97¾	+⅛	[illegible]	11.04
100	97½	Exch. 10½pc 1986	99⅛	—	[illegible]	12.85
101⅞	99¼	Treas 12pc 1986	99½	—	[illegible]	12.75
90⅛	94¼	Treas 8¾pc 1984-86‡‡	98½	+⅛	[illegible]	12.18
105⅛	100⅝	Exch. 14pc 1986	100⅞	—	[illegible]	12.57
95¾	87¼	Exch. 2½pc 1986	95⅛	—	[illegible]	8.85
104⅛	100⅝	Exch. 13¼pc 1987	100¼	—	[illegible]	12.38
99⅛	96⅝	Treas 10¼pcCv '87	98xd	—	[illegible]	12.42
93⅝	85½	Exch 2½pc 1987	93⅛xd	+⅛	[illegible]	9.43
100⅛	96¼	Exch. 10½pc 1987	98	—	[illegible]	12.33
95⅛	89	Funding 6½pc '85-87‡‡	94⅛	+⅛	[illegible]	11.41
99⅛	95½	Treas. 10pc 1987	97⅛	—	[illegible]	12.17
92⅝	84⅝	Treas 3pc 1987	91¼	—	[illegible]	9.75
102⅝	99⅝	Treas. 12pc 1987	99⅛	—	[illegible]	11.99
95⅛	90¼	Treas 7¾pc 1985-88‡‡	93⅛	+⅛	[illegible]	11.47
100⅛	95⅝	Exch 10½pc '88	97⅛	—	10.[illegible]	11.74
98¼	93⅝	Treas 9¾pc Cv '88	95⅝	−⅛	[illegible]	11.78
87¼	80	Transport 3pc '78-88	86⅛	—	[illegible]	9.17
97⅝	91½	Treas. 9½pc '88	94⅛	+⅛	[illegible]	11.81
102⅝	97½	Treas 11½pc 1989	99⅛xd	—	11.[illegible]	11.74
97⅛	90⅝	Treas 9½pc Cnv. '89	94⅛	—	[illegible]	11.76
84⅛	79	Treas 3pc 1989	83⅛	+⅛	[illegible]	9.09
99⅝	94	Treas 10½pc 1989	96⅛	—	[illegible]	11.66
98¼	92	Exch. 10pc 1989	95¼xd	+⅛	[illegible]	11.71
101⅛	95	Exch 11pc 1989	97⅛	—	[illegible]	11.69
86⅝	79	Treas 5pc 1986-89	85⅛	+⅛	[illegible]	9.91
99	95	Exch 10¼pcCv '89	96¼	—	[illegible]	11.52
108⅛	103¼	Treas 13pc 1990‡‡	104⅛	+⅛	[illegible]	11.52
101⅝	96⅛	Exch 11pc 1990‡‡	98⅛xd	—	[illegible]	11.58
108¼	100¼	Exch. 12½pc 1990	102⅛	—	[illegible]	11.62
81⅛	75¼	Treas. 3pc 1990	79⅛	—	[illegible]	8.74
95⅝	87¼	Treas 8¼pc 1987-90‡‡	90⅛	+⅛	[illegible]	11.19
101¼	91⅞	Treas. 10pcCv 1990	94⅛	—	[illegible]	11.65
77⅛	76⅞	Exch 2½pc 1990	77⅛	—	[illegible]	8.40
108¼	97⅝	Treas 11¾pc 1991	100⅛	—	[illegible]	11.59

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا عن الأصل

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Y'ld Gr's
120	48	♥Colby Res Corp	80	+3	—	—
550	175	Cons. Murch. 10c	300		‡Q86½c	‡
40	24	♣Ennex Int. Ir10p	30		—	—
123	70	Greenwich Res	77	+2	—	—
215	115	Hampton Areas 10p	130		3.75	3.9
260	135	♥Highwood Res	190		—	—
£22½	£15½	Homestake Mining $1	£18¼xd		Q30c	0.7
310	155	♥McFinley Red Lake	210		—	—
335	195	♥Musto Explorations	255		—	—
55	23	♥New Sabina Res C$1	45		—	—
375	195	Northgate C$1	245	−3	—	—
685	507	RTZ	573	+1	†20.0	3.0
£145½	£114½	Do. 9½pcLn '95-2000	£127		Q9½%	7.5
980	800	♥Tara Expm $1	958	+75	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	102		Fin. 13% 97/02	£104¾	
Craig & Rose £1	850		Arnotts	230	
Finlay Pkg. 5p	45		CPI Hldgs	56	
Holt (Jos) 25p	720		Carrol Inds	145xd	
IoM Stm. £1	52		Dublin Gas	55	
			Hall (R. & H.)	60	
IRISH			Helton Hldgs.	25	
Fund 11¾% 1988	£97½		Irish Ropes	49	
Nat. 9¾% 84/89	£93½		Unidare	130	

"Recent Issues" and "Rights" Page 14

FINANCIAL TIMES

Saturday February 1 1986

Large sections of shuttle debris recovered

By Paul Taylor in New York

TEAMS searching for remnants of the US space shuttle which exploded on Tuesday brought ashore large sections yesterday believed to have come from the craft's fuselage, cockpit and wings.

The pieces were taken to the Cape Canaveral Kennedy Space Centre in Florida. Mr Chuck Hollinshead, of the National Aeronautical and Space Administration said: "We were surprised at what good shape they were in."

He was referring to five large charred pieces of debris landed by a Coastguard cutter. Some were 20 feet long and had been scooped from the ocean bed on the northern edge of an expanded 8,000 sq mile search area.

A search force of 13 ships, nine helicopters and four other aircraft has already recovered several thousand pounds of debris.

They include some cone-shaped objects, possibly from the solid-fuel booster rockets, and the charred remains of a control panel believed to have come from the $1bn (£700m), 100-ton Challenger, which blew up 72 seconds after take-off.

All seven crew members were believed to have been killed instantly, but the size of the objects recovered raised the possibility that the pressurised module in which they rode might have survived the explosion and ended intact at the bottom of the Atlantic.

Sonar detected an extremely large metal object on the ocean floor 140 ft below the area in which the fuselage parts were discovered, and divers began preparing to look at it.

Aware of the possibility that human remains might be found, Nasa said: "No comment will be made by Nasa officials today on anything concerning personal effects and human remains, out of respect for the astronauts' families."

The location of the latest finds, up to 50 miles off the Florida coast, opposite Daytona Beach, suggest that floating debris may be being carried north by the wind and the Gulf Stream, causing Nasa to widen the search zone.

Separately, Nasa confirmed that a bone and tissue fragment, enclosed in blue material, had been found on a beach 30 miles south of the launch site. The officials do not know whether the fragment is related to the shuttle tragedy, but experts will study the material.

Westland board set back by Stock Exchange ruling

BY LIONEL BARBER AND JOHN HUNT

THE BOARD of Westland, Britain's ailing helicopter ... efforts ... of Italy. ... Stock Exchange, which launched an inquiry this week into Westland share trading over the past fortnight, has ruled that Sikorsky cannot increase its shareholding beyond its present 9.9 per cent in order to garner votes necessary to secure a simple majority at a shareholders' meeting on February 12.

The ruling falls within the Exchange's rules on Class Four transactions which state, in effect, that substantial shareholders (holding more than 10 per cent of a company) cannot vote those shares in favour of a resolution in which they have a direct benefit.

The ruling has dismayed the Westland board and its advisers, Lazard Brothers, which have been considering how to counter the rival European aerospace consortium's tender offer of 130p per share for 21 per cent of Westland's equity.

One option for Sikorsky/Fiat would have been to mount its own tender offer. After yesterday's Stock Exchange ruling, this now appears to have been ruled out.

The Westland camp is particularly concerned since the European tender offer for 21 per cent, when coupled with several share stakes held by supporters of the consortium, can be used to garner votes to sink the Sikorsky/Fiat rescue.

However, in a bizarre twist characteristic of the whole Westland affair, it is far from clear whether the Europeans can use those votes in any future vote in favour of their own rival rescue plan.

In the dispute over whether government officials should give evidence to the all-party Commons defence committee investigating the Westland affair, a compromise now seems possible.

Yesterday Mr John Wakeham, Government chief whip, met Sir Humphrey Atkins, the former Conservative minister who chairs the committee, and discussed possible solutions. They will hold more talks over the weekend.

One Conservative on the committee, Mr Keith Speed, a former minister, warned yesterday that if no solution was reached, the committee would put a motion before the Commons to compel witnesses to attend.

The dispute now centres on the committee's request that Mr Charles Powell, the Prime Minister's principal private secretary, and Mr Bernard Ingham, her press secretary, should appear before it on Tuesday.

Contention is also lingering over the refusal to allow Mr John Mogg, principal private secretary at the Trade and Industry Department, and Miss Colette Bowe, the department's information director, to appear last week.

Downing Street has not replied to the request for Mr Powell and Mr Ingham, but was said to be hoping an accommodation could be reached.

One suggestion was that Sir Robert Armstrong, Cabinet Secretary, might attend instead of the two officials. This would be unlikely to find much favour with most of the committee.

Another possibility was for Mr Ingham and Mr Powell to attend if the committee would agree to go into private session for at least part of the hearing.

Todhunter resigns as chief at Alexanders Discount

By Michael Cassell

MR MICHAEL TODHUNTER, chief executive of Alexanders Discount, one of the City's leading discount houses, last night resigned following a row over policy differences. He was appointed less than 18 months ago.

Mr Todhunter is also resigning from the main board of Mercantile House, the British-based international financial services group. He joined the group in 1984 through the purchase of Jessel Toynbee Gillett, the London discount house, of which he was deputy chairman.

Shortly afterwards, Mercantile also bought Alexanders and Mr Todhunter became chief executive of the combined discount house.

His unexpected departure will be seen as a severe blow to Mercantile, which has been trying to build an integrated financial group from a variety of separately acquired interests.

The resignation also follows the management buy-out in December last year of Oppenheimer, Mercantile's US securities subsidiary which it acquired for $162m (£115m) in late 1983.

Mr Todhunter will remain as a non-executive director of Alexanders Discount but is also resigning from the boards of Alexanders Laing & Cruickshank Holdings, Mercantile's investment bank subsidiary, and of Alexanders Laing & Cruickshank Ltd, its gilt-edged primary dealing operation.

Neither side would comment on the resignation but it is understood that it centres on major differences on the development of Alexanders Laing & Cruickshank Ltd, the primary dealing business.

Earlier this week, Mercantile reported a reverse in the recent decline in profits, with pre-tax profits rising by 19 per cent in the six months to the end of October 1985.

Following Mr Todhunter's departure, Mr Robin Moser becomes chief executive of Alexanders Discount and joins the board of Alexanders Laing and Cruickshank Holdings. Mr Jeremy Hardie becomes chairman of Alexanders Laing and Cruickshank.

Turkey to negotiate on possible order for 40 Tornado aircraft

BY PETER BRUCE IN BONN

—THE LEADERS of the West German, British and Italian companies which make up Panavia, the consortium which builds the Tornado strike aircraft, are due in Turkey on Monday to begin detailed negotiations on a possible order for 40 aircraft, worth DM 4bn (£1.2bn), for the Turkish airforce.

Mr Hanns-Arnt Vogels, chairman of Messerschmitt-Bolkow-Blohm, the West German aerospace group, Sir Raymond Lygo, managing director of British Aerospace, and Mr Renato Bonifacio, president of Aeritalia, are understood to have scheduled meetings with senior Turkish military officials and Mr Turgut Ozal, the Prime Minister. They will be accompanied by Mr Hans-Joachim Klapperich, Panavia's managing director.

The Turks are understood to have expressed an interest in the Tornado to the British about a year ago. Although successful negotiations to sell Tornadoes to Saudi Arabia last year were almost entirely carried out by the British, it has apparently been decided in Turkey's case to bring in the other partners, notably West Germany, which has a long-standing political relationship with Ankara.

Next week's visit will be the first made to Turkey by Panavia's consortium heads and they will make a firm proposal on the terms of a deal. In return for an aircraft order, Turkey is hoping that Nato will agree to a DM 2bn expansion of its Konya airbase, south of Ankara, and to its use as Nato's main training ground for low flying. Further progress in the negotiations is expected in mid-February when Mr Ozal visits London.

Apart from the potential business for MBB, Bonn is particularly keen on the Konya project to ease the problem of low-flying aircraft in densely populated West Germany. A more powerful political argument in Bonn, however, is that the Konya project would create about 30,000 jobs in Turkey, many of which might be given to Turkish guest-workers currently in West Germany and whom Bonn wants to repatriate.

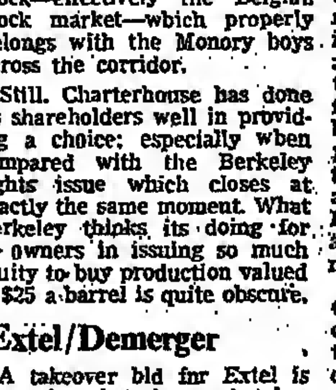
One difficulty for Panavia is that Canada is competing with the Turks for the low-flying site and has offered its base at Goose Bay, Newfoundland, as an alternative. Goose Bay's detractors claim it is not suitable as it is frequently snow-bound. Panavia expects other competitors to begin wooing the Turks soon. It is thought unlikely that the French Mirage 2000 would be a serious rival

THE LEX COLUMN

King of the Belgians

The equity market has become curiously selective in its choice of the facts to build on; gloomy macro-economic forecasts, worsening unemployment numbers, sustained high interest rates and the constant political corrosion of the Westland affair might scarcely exist. Perhaps it is just that the market has recovered its confidence with the slight bounce in oil prices, and written-off the possibility of another defensive rise in base rates. At all events, the All Share has recovered to within 1 per cent of its previous peak, while that compendium of take-over-stocks, the FT Ordinary, has been setting successive new records.

Index rose 4.6 to 1161.0



North Sea

The offer by Petrofina for Charterhouse Petroleum offers UK institutions a rare — not to say once in a lifetime—opportunity to quit the UK oil exploration sector for the Belgian stock market, which performed exactly twice as well for sterling investors as its London counterpart last year.

The share and cash offers, which close next Friday afternoon, are generous in the extreme: the cash offer is a pound a share (against a pre-bid Charterhouse price of 66p) while the appreciation of the Belgian franc, which is not a petro-currency, has left the equity premium more or less intact at 56 per cent despite the fall in Petrofina's share price. Meanwhile Charterhouse's directors have been roundly recommending acceptance of one or other offer, as if their shareholders had not been pleading to escape all along.

Petrofina is keen to take on the 7 per cent UK shareholding that would follow full acceptance of the share offer and has vowed it will seek a London listing; but last year's experience suggests that the institutions will be trampling on one another to get the cash. In turning down Enterprise paper for their Saxon shareholdings—despite crystallising capital gains liabilities that are less evident here—they were proved right by Enterprise's later underperformance. Indeed, it is their very unwillingness to provide capital that has sent the independent sector to the ends of the earth: literally, in the case of Clyde and Moonie Oil of Australia.

Of course, Petrofina is not Enterprise, but one of the world's mini-major integrated oil companies, with dividend growth in double figures since 1980 and a thirst for capital expenditure and debt repayment which would scandalise a Belgian Pickens. Yesterday's results for 1985 showed a 10 per cent increase in net income and an equivalent dividend increase, while the prospect of excellent downstream profitability this year may make up for some of the income deferred by injecting gas into a subsiding Ekofisk. None the less, a dividend yield of under 8 per cent scarcely compares with Enterprise let alone a building society; gross funds are cut out by Belgian withholding tax; while oil fund managers will be unwilling to pick up Petrofina stock—effectively the Belgian stock market—which properly belongs with the Monory boys across the corridor.

Still, Charterhouse has done its shareholders well in providing a choice; especially when compared with the Berkeley rights issue which closes at exactly the same moment. What Berkeley thinks its doing for its owners in issuing so much equity to buy production valued at $35 a barrel is quite obscure.

Extel/Demerger

A takeover bid for Extel is something that the market has been toying with for some time — approximately since the Egyptian financier Dr Ashraf Marwan disclosed a 5 per cent interest in the company last June and then proceeded to accumulate an "investment" stake which was last reported at just under 11 per cent. When an offer finally materialised, off Sloane Square yesterday morning, it was not exactly the sort of thing that speculative followers of Extel would have been looking for.

What shareholders in Extel have in front of them is a proposal to reconstruct the company as a preliminary to Fleet-style demergers of its non-news businesses — advertising, printing, publishing and computer systems. The idea is that shareholders should turn in their highly rated shares in the group—which at 395p now stand at 23 times historic earnings—in exchange for a cocktail of paper issued by a newly formed vehicle, the descriptively named Demerger Corporation.

The attraction of this package—apart from the avoidance of capital gains liability—is supposed to be that the more highly focused businesses resulting from the demerger would be accorded enhanced valuations by the market; and since the relatively marginal computer business was unprofitable last year, Extel's other parts might indeed gain something by disassociation. It is also claimed that the parts would be better managed by demerger than the whole has been by Extel, while the existing shareholders would still own it, more or less.

Whatever the merits of that notion, the proposal seems to have a number of disadvantages. If the complex reconstruction scheme can actually be made to work, its first effect will be to give the founders of Demerger a free 15 per cent stake in the more attractive half of Extel, its information business. Thereafter, shareholders will find that their interest in the remaining four businesses has been tied up by a golden share arrangement, pending refloatation; the only tangible instrument relating to a notional holding in say Burrup, the printer, would be a loan stock of uncertain marketability.

If Demerger were to reach the point of spinning off the demerged businesses, it would then have to solve the problem of redeeming the various loan stocks—totalling nearly £90m. It is questionable whether the operating cash flow of these companies would be sufficient to pay down this debt over its implied three-year life. To realise their tax-free demerger gains, shareholders might first have to pay off their newly-created debt in themselves. Rum.

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Reagan

ings enables him to comfort people.

Trying to put the disaster into perspective, the President compared "our Challenger seven" to the early American pioneers: "Often they met with terrible hardship. Along the Oregon Trail you can still see the grave markers of those who fell on the way. But grief only steeled them to the journey "Today, the frontier is space and the boundaries of human knowledge. Sometimes when we reach for the stars, we fall short but we must pick ourselves up again and press on despite the pain."

Clark named as trade minister

BY JOHN HUNT

MRS MARGARET THATCHER surprised her colleagues last night by naming as trade minister Mr Alan Clark, who has had a controversial career as Under-Secretary of Employment since 1983.

Mr Clark, a Tory individualist on the right wing of the party, has frequently been in trouble for outspoken comments. He is on record as strongly favouring protectionist measures to assist British industry, and is also regarded as being rather anti-Common Market.

This will not help him in his new role, where he will conduct a series of crucial negotiations aimed to lower barriers to international trade.

Mr Clark will be working under Mr Paul Channon, who took over as Trade and Industry Secretary after Mr Leon Brittan had resigned over the Westland affair.

The job of Under-Secretary for Employment goes to Mr Ian Lang, the MP for Galloway and Upper Nithsdale, a government Whip.

The appointments complete the changes that arose through the resignation.

Mr Clark will handle delicate negotiations over renewal of the Multi-Fibre Arrangement, and take part in the forthcoming round of discussions on the General Agreement on Tariffs and Trade.

Mr Clark, who is 57, will also lead the British government negotiators seeking reduction of barriers to trade within the EEC, particularly over services. Also, he will have ministerial responsibility for the Export Credits Guarantee scheme, the British Overseas Trade Board and the authorisation of soft loans to help British companies win overseas contracts.

Diplomacy has not been one of his strong points. He was involved in controversy recently after he had made a private remark about immigrants going back to "Bongo Bongo land."

A few years ago, the minister wrote a long article calling for the imposition of protective tariffs to help British industry. He claimed that spectacular results could be obtained through modest restrictions on imports.

At the Employment Department, Mr Lang, 45, will probably have responsibility for the Unemployment Benefits Service, job centres, special employment measures and statistics.

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Botha

US cents in quiet trading. Prices on the stock exchange eased slightly on the lower gold price from previous record highs.

In substance, the speech contained little that had not been announced in a series of speeches over the last six months. The legislative proposals include a restoration of South African citizenship to the citizens of "independent homelands," greater powers for the homeland governments, the involvement of black communities in shared decision-making with whites in second-tier government through the soon-to-be-formed regional services black freehold property rights; a uniform identity document for all population groups; the lifting of "unnecessary restrictions" on black enterprise and a new commitment to equality before the law and access to the courts—possibly a commitment to end detention without trial.

The most significant development was the promise to give blacks "access to power at the highest level" through the new "national statutory council." This will replace the "non-statutory forum" aborted by black opposition.

The council will consist of representatives of the South African Government and the six non-independent homelands, as well as leaders of other black communities and interest groups.

The council would be advisory and is conceived as a temporary expedient "pending the creation of constitutional structures jointly to be agreed upon for our multi-cultural society."

Mr Botha made no reference to the debt crisis or the expectations of foreign bankers and only hinted at a possible future relaxation in the partial state of emergency.

Mr Botha promised legislation "to remove existing influx control measures" and replacement of the discriminatory pass system by "a uniform identity document for all population groups."

Peter Montagnon writes: Proposals for a short-term rescheduling of South Africa's debt are expected to be presented to creditor banks by Dr Fritz Leutwiler, the Swiss ... within the next ... of a ... for February ... in London.

Dr ... yesterday. In answer to questions, a spokesman said the former Swiss central banker regarded the speech as positive and a justification of the relative optimism on political reform he expressed at the end of a visit to South

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Exch 15pc 1997	£125¾	+ ½
A & G Sec Elect	37	+ 7
Abbey Life	213	+ 12
Aspinall	179	+ 6
Automated Sec'y	160	+ 20
Automotive Prods	191	+ 10
Beecham	366	+ 8
Bellway	151	+ 8
Bowater Inds	300	+ 15
Carless Capel	87	+ 5
Courtaulds	214	+ 7
Davenport's Brwy	410	+ 37
Domino Printing	305	+ 30
ERIC	85	+ 5
Executex Clothes	54	+ 7
Extel	395	+ 15
Hambros	217	+ 17
Hambro Trust	247	+ 29
Henderson Group	250	+ 8
Illingworth Morris	100	+ 6
ICI	816	+ 10
Lon & Northern	71½	+ 12½
Polypipe	335	+ 32
Prestwich	132	+ 14
Rosehaugh	435	+ 25
STC	110	+ 8
Salvesen (Christian)	132	+ 7
Ward Hldgs	276	+ 18

FALLS

Vosper	192	− 34
Yarrow	560	− 20

WORLDWIDE WEATHER

UK today: Cloudy with rain, drizzle or sleet. Dry with bright intervals in N Scotland. Cold and windy.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	7	45	Corfu	F	16	61	Luxmbg	F	1	34	Peking	S	0	32
Algiers	T	7	45	Dallas	C	15	59	Madeira	—	—	—	Perth	S	27	81
Amsdm	C	1	34	Dublin	R	5	41	Madrid	—	—	—	Prague	F	3	37
Athens	F	16	61	Dbrvnk	C	13	55	Majorca	—	—	—	Rykjvk	Sl	1	34
Bahrain	C	19	66	Edbgh	R	4	39	Malaga	—	—	—	Rhodes	F	17	63
Barclna	—	—	—	Faro	C	11	52	Malta	S	18	64	Rio J'ot	—	—	—
Beirut	—	—	—	Florence	R	10	50	M'chstr	R	3	37	Rome	T	11	52
Belfast	C	4	39	Frankft	F	4	39	Melbne	S	23	73	Salzbrg	C	6	43
Belgrd	F	6	43	Geneva	C	2	36	Mx Ct	—	—	—	S'ciscot	F	14	57
Berlin	C	1	34	Gibrltr	R	9	48	Miami†	S	13	55	Singapr	F	30	86
Biarritz	C	7	45	Gl'sg'w	R	4	39	Milan	R	5	55	S'tiagot	—	—	—
Bmghm	R	2	36	G'rnsey	C	4	39	Montrl†	Sn	−12	10	Stckhm	Sn	−2	28
Blackpl	C	4	39	Helsinki	C	−2	28	Moscow	F	−9	16	Strasbg	F	4	39
Bombay	C	27	81	H Kong	S	21	70	Munich	S	3	37	Sydney	C	23	73
Bordx	C	2	36	Innsbrk	C	10	50	Nairobi	—	—	—	Tangier	R	9	48
Boulgn	C	3	37	Invrnss	C	1	34	Naples	C	17	63	Tel Aviv	F	17	63
Bristol	R	4	39	IoMan	C	4	39	Nassau	—	—	—	Tenerife	R	17	63
Brussels	S	3	37	Istanbul	C	9	48	Nwcstl	R	3	37	Tokyo	S	10	50
Budpst	C	3	37	Jersey	C	4	39	N Delhi	S	17	63	T'ronto†	C	−5	23
Cairo	S	20	68	Jo'burg	C	23	73	N York†	C	−4	25	Tunis	C	11	52
Cardiff	R	3	37	L Pims	R	16	61	Nice	R	6	43	Valencia	—	—	—
Cape T	S	24	75	Lisbon	—	—	—	Nicosia	F	17	63	Venice	R	4	39
Chicg†	C	−6	21	Locarno	Sl	1	34	Oporto	S	9	48	Vienna	C	2	36
Cologne	F	4	39	London	C	3	37	Oslo	C	−3	27	Warsaw	Sn	−1	30
Cpnhgn	C	1	34	L Angt	C	13	55	Paris	C	1	34	Zurich	F	3	37

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder. † Noon GMT temperatures.

Spain to hold referendum on membership of Nato

BY TOM BURNS IN MADRID

SPAIN'S Socialist government is to hold a referendum on March 12 over its policy of keeping the nation in the Atlantic alliance.

With Spanish society apparently deeply split over Nato, yesterday's announcement set the stage for the most controversial political debate in the country since democracy was restored a decade ago, after the death of General Franco.

Mr Alfonso Guerra, the deputy Prime Minister, said the question which would be put to the nation would be: "Do you consider it advisable for Spain to remain within the Atlantic alliance under the terms agreed by the Government of the nation?"

The all-important wording and a key preamble which sets out the terms, is intended to swing lukewarm opinion over Nato in Spain behind what has in effect been a government volte-face over alliance membership.

The socialist party, which was the opposition when Spain joined Nato in 1982, strongly opposed entry and promised in its manifesto when general elections were held later that year to hold a referendum on the issue. The pledge played an important part in sweeping the Socialists into power with Mr ... Minister.

The "terms" which form what Mr Guerra called a "comprehensive and coherent peace and security policy" are Spain's non-membership of Nato's integrated command structure, a ban on nuclear weapons and a progressive reduction of the US military presence in Spain.

These were the main features of a defence package the Prime Minister announced more than a year ago when, for the first time, he publicly disclosed that he had changed his mind, and now favoured Nato membership, but intended to keep his promise to put the issue to a plebiscite.

The package is designed to weaken the anti-Nato platform. The wording of the referendum question is itself an explicit rejection of the anti-alliance lobby's demand that Spaniards be simply asked "do you want Spain to remain in Nato?"

Mr Guerra also served notice that the Government would be "politically and morally bound" by the plebiscite and would act in accordance with its result.

Polls in recent weeks have shown there is a clear majority against the alliance when the question is framed in straight yes or no terms, but the margin is considerably reduced when the question is on the lines

WEEKEND FT

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Hard times in Hollywood

Nigel Andrews explains how show business has become a slow business in America's movie heartland

IN THE cinema, one country's *annus mirabilis* can be another country's year of crisis. While we in Britain have been basking in rising attendances, busy studios and the brouhaha of British Film Year, a startlingly different tale has been unfolding across the Atlantic. America had one of its worst ever years at the box office in 1985, with attendances down by 8 per cent from the already perilous doldrums of 1984. And it would have been even worse but for a brief cinemagoing bonanza in December, led by the indomitable *Rocky IV*.

In addition, video-recorder sales in the US are rising sharply, threatening to kidnap fresh millions of filmgoers from the cinemas. Over 50 per cent more VCRs were sold in 1985 than in 1984. And when I visited America recently, movie production at the major studios was down from 131 films to 99.

"99," of course, is the number a patient is sometimes asked to say by his doctor, and an ailing US film industry is going through all the medical tests it can get at present. On a whirlwind visit to Los Angeles, I talked to nina top people in Hollywood to discover what the disease *is*, if it is likely to spread and whether there is a cure in sight.

On one thing nearly all agreed: the current reign of the business conglomerates, who own all the major studios and pick the men to run them, is turning Hollywood from a prolific and intuitive dream factory into a branch — and an increasingly unsuccessful one—of product marketing. Film-maker Arthur Penn, of *Bonnie And Clyde*, *Little Big Man* and (most recently) *Target*, puts the case.

"You have these young men from excellent business schools — Yale, Harvard—put in charge of the studios. And they make these exquisite studies of audiences by income, social status and education, and what kind of films will have the broadest appeal. What they forget, or ignore, is that it takes at least a year for a film to come out, by which time that fickle matter of public taste may have changed. More importantly, how do you introduce the new? It's like asking the public about a painting that's broken up or divided into cubes, before anyone has painted it. There is no mechanism for factoring in the anomaly that creates tomorrow's trends."

The director Martin Scorsese (*Taxi Driver*, *Raging Bull*) has come up against exactly thia attitude.

"It's not that Hollywood'a bad, it'a nothing like that," says Scorsese. "It's that there are too many pressures on the film-maker that have nothing to do with cinema. When you have a picture like *The Last Temptation* with a challenging subject that may—*may*—upset a large number of people, you don't go to a company like Paramount, which is owned by Gulf & Western, or you don't go to Columbia which is owned by Coca-Cola. These are major conglomerates; why should they look for trouble? The movie companies are a tiny part of what they have.

The prevailing tone in Hollywood ia pessimistic but resigned, as if the marketing mentality is a Moloch which cannot be overthrown in the foreseeable future and might as well be lived with. But some film-makers are fighting mad. Robert Altman, of *Nashville*, now bases himself in Europe and curses the Babylon from afar.

"It's very hard to find anyone with any decency in the business," Altman complained. "They all hide behind the corporate structure. They're like landlords who kick people out of tenement buildings. There's no compassion, and there's certainly no interest in the arts. Someone's got to come in with a long-time vision of the cinema and its future. These people today don't even nurture the classics. They're in power such a short time, everything is on the single roll of the dice. What happens five years ahead doesn't matter a damn thing to them."

Altman touches here on the paradox of modern Hollywood. The marketing supremos are supposed to ensure a fool-proof product that audiences are bound to buy. Yet as the quantity of products dwindles year by year, each film becomes more of a gamble. "When I first started in Hollywood," says composer Henry Mancini, whose career has spanned postwar cinema from Welles's *Touch of Evil* to the Salkinds' *Santa Claus*, "a studio like Universal would turn out 50 films a year. Now it is down to nine or 10. So each new film becomes a bigger shake of the dice. There is no such thing any more as a steady run of staple product."

The combination of a high-risk economic climate with attempts by the marketing experts to build safeguards into the final product means, says Mancini, that "it is much more complex today to get a deal going. In the old days there was one guy running each Hollywood studio, and if you fired his interest you got the movie. Today you go to a committee of accountants and marketing hods who each have one eye on the balance sheet."

There are a few old-style studio chiefs around today, however. Alan Ladd was born into the business (son and namesake of the star of *Shane*), rose to head Twentieth Century Fox during its blockbusting 1970s heydey (*Star Wars* and co), left to create his own independent Ladd Company, which foundered on ambitious but commercially ill-fated projects like *Outland* and *The Right Stuff*, and is now back to running a Hollywood major, MGM/UA. Ladd does not believe that Hollywood has changed significantly since its golden age.

"Since this business has been going on," he told me, "it has been the same mixture of playing safe and gambling. You make programme movies except for the big one or two 'breakout' films each year which you hope will go all the way.

"There is a place for marketing and audience research, for looking at what is successful. But you can never programme for the surprise winner. That has to be your hunch, and that is where the big money often lies. But Hollywood needs both. It needs the 'safe' small-budget picture and the unpredictable blockbuster."

One of the vanished safeguarda in Hollywood today is tha atar system. No star today can guarantee a good return at the box office as Garbo and Gabla or Bette Davis used to do. Clint Eastwood (*Bronco Billy*), Richard Gere (*King David*), Eddie Murphy (*Best Defence*), Diane Keaton (*Mrs Soffel*) can all go down with sinking ships. Slightly more dependable today, as guarantees of a return on your investment, are the film-makers. As Ladd points out, one reason for the failure of his Ladd Company was that he could not ask directors who had worked for him at Fox, like George Lucas and Mel Brooks, "to just take their pictures across the street and come and work for the Ladd Company."

None the less, the independent companies are increasingly competitive with the majors and loom large as an alternative option for the film-maker. Compared to the major studios' falling output, that of the independents is rising. By the end of November 1985 they bad made 325 films in the year as against 171 in the same period in 1984. Compare the majors' plunge from 131 to 99.

Some independents, like Tri-Star and Orion, have established themselves almost as mini-majors. Others like Cannon Films, run by high-profile Israeli moguls Menachem Golan and Yoram Globus who almost bought up Thorn-EMI in December, give the impression more of flying by the seat of their pants. One of their unhappy recent passengers bas been Robert Altman, who has just completed *Fool For Love* for them. Over a long-distance call he complained to me of delayed payments and contractual let-downs.

"They are the worst people I hava ever been involved with. Until things are put right I am not going to do anything to promote their film, and if I had control of it now I would burn it," he said.

But Russian emigré director Andrei Konchalovsky, whose new film *Runaway Train*, starring Jon Voight and based on a acript by Kurosawa, was made for *Cannon*, says, "I bave the *greatest* respect for Altman, but quite frankly it is a miracle that any company gave him the budget to make a film like that, which is not in any way commercial. It is a shame that two Israelis must come to Hollywood to support American culture. But who else would back this sort of picture? It is only the independent companies in Hollywood today who have any spirit of adventure."

But even the independents may be frightened into caution by the increasingly grim economic climate in the film industry. The scare stories afflicting Britain in recent years, of the video boom devastating cinema audiences, are now hitting America. On my first day there the New York Times carried a feature beadlined: Rise in Cassette Rentals Worries Film Industry. The article estimated that Americans will have rented some 670m movies on video by the end of 1985, compared with 390m in 1984. (In 1980 it was 20m.) \$2.7bn will have been spent on videocassette rentals, equal to 75 per cent of the year's estimated box office returns.

Arthur Penn thinks this trend has gone far enough: "It's ridiculous that after a mere two or three months of cinema life, a picture goes into video. Can you imagine a car being marked down after only three months? Artists should intervene in the financial area; they should insist on a longer window for their films in the movie theatre. It's the only way this industry will survive."

The director Michael Cimino thinks the problem lies not with the lure of the small screen but with the increasingly repellent aspect of most big-screen venues. "Who wants to go out on a rainy night to a cramped seat in a *square box in a deserted shopping* centre?"

However, even Cimino agrees that "you can't replace the theatrical experience. A charge comes off tha audience which enhances the whole feeling of watching a big-screen film. If America wants to bring those audiences back, why don't they look at what is happening in Europe? In Oslo the Government is buying up great old buildings in the city centre and turning them into luxury multiplexes, and the crowds are coming back. The same thing has happened in Ghent, were a private family has spent \$6m on building a new multiplex, and attendances in the town have gone up 30 per cent."

But until such miracles hit America, the fear among film-makers is that the market dominance of video and cable will start to dictate the on-screen aesthetics of movie-making. Dean Cundey, one of Hollywood's top cinematographers after *Romancing the Stone* and *Back to the Future*, spoke to me amid the smoke and swirl of a sound-stage Chinatown at Twentieth Century Fox, where he is filming John Carpenter's fantasy thriller *Big Trouble in Little China*.

"The colours, the resolution, the textures, even the shape of the frame are different when a picture made for the big screen goes on to the small. *Bob Zemeckis took the decision, after* directing *Romancing the Stone* in a wide-screen format and then seeing what happened to it on video, to make *Back to the Future* in a narrower ratio: 1.85 rather than 2.33. So that instead *of losing nearly half the frame on* TV, you lose about a quarter. That's the first time I've known the look of a big-screen film be consciously influenced by its small-screen future, and in a way I suppose you might say diminished. But that's the way Hollywood may have to be going."

One dedicated non-convert to the small-screen revolution, however, is Warren Franklin. He is vice-president and general manager of George Lucas's Industrial Light and Magic (ILM), the biggest special effects factory in the world, which created the spaceships, pyrotechnics and galactic vistas for films like *Star Wars* and *E.T.*

Franklin, like Cimino, thinks that the way to combat video is to have better conditions at the movie houses: not just comfort but technical excellence. "We have an alignment programme at ILM, whereby we send our people round to cinemas to ensure the best possible sound, the best projection for our movies. After all, who wants bad presentation as well as sticky, gooey floors?"

Perhaps we should all just sit tight, hold on to our hats and wait for the revolution. Artistic crises in history almost always have a way of sorting themselves out. As Robert Altman said: "Sometimes you have to hit rock bottom before a little green plant can come up."

But before it does, one suspects there are going to be some mighty shake-ups on the sea bed and more than a few giant vessels, hitherto deemed as unsinkable as the Titanic, going down with all bands.

Maybe Hollywood should take a lead from Wardour Street—rare happening—and sign on for 12 months of confidence-boosting propaganda, reform and ballyhoo. Anyone for American Film Year?

The Long View

Why the house price boom is so odd

The normal laws of investment are being overridden, says Anthony Harris, who cautions that if the boom does falter it is likely to go into a sharp, and painful, reverse.

"BUY LAND," Mark Twain is reported to have advised. "They ain't making it any more." This slogan has always appealed strongly to British investors. Institutions have built up big holdings of commercial property and farm land, while private individuals have made owner-occupation by far the most important form of personal investment.

The recent runaway boom in house prices in the south-east of England, which in the right spots has far outpaced even the equity market, has only confirmed this prejudice: indeed, I have seen more than one article recently advising a switch out of equities into a bigger house.

If we were not such an insular lot, we might inspect such advice more suspiciously. The institutions are already regretting their commitment to farm land, where prices bave been falling steadily; and the grandiose plans of Mr G. Ware Travelstead — an actual man, although he sounds like a corporation — to build a financial city in London's dockland — has put a big question mark over office property. High street shops and most kinds of industrial property are already depressed markets in various degrees.

House prices, on the other hand, continue to rise as if in response to some law of nature. But those aware of events in Germany (where a slow fall in bouse prices haa now turned into something near a financial disaster) or the West Coast of the US (where the disaster is severe and helps to explain the problems of our own Midland Bank) also know only too well that what went up can come down — and that there is something odd about the British boom.

The oddity is simply this: the normal laws of investment suggest that when real interest rates are high and thera is therefore a high real return on financial investment, then investors switch out of real assets—whether houses, old masters or bars of gold—into financial assets. A few weks ago, I reproduced a table from the US showing how dramatically this pattern has shown up in that giant market. All this suggests that the British experience, so far from being normal, requires some strong explanations.

These are really very easy to find once you start looking. Over the long run, house prices are very strongly correlated with personal incomes (just as farm land prices are strongly correlated with farm incomes, which explains the present slump). The speed of response is further affected by availability as well as the cost of credit.

Personal incomes have been growing much more rapidly in this country than in any other low-inflation competitor as the Chancellor, backed by every international pundit, never tires of reminding us. Industrial earnings rise by 7 per cent or so annually. Management earnings have been rising a good deal faster as British pay levels begin to catch up with those overseas; and in the financial world, of course, pay has reached levels that are something of a national scandal.

Meanwhile, money has never been easier to borrow. This is the result of the wave of financial deregulation that is half complete in this country but which was completed some *years ago in the US* and has barely even begun in Germany. The deregulation tends to accelerate the demand for credit-financed purchases—cars and durables as well aa bouses—*while it is in progress*. Then, a new equilibrium sets in.

If these were the only influences we might forecast that the British house price boom still had some way to go, since the rise in incomes still has a momentum of its own (although that will probably be less exciting from now on). This caution would apply especially to the London region, where even those in the City now think the boom in rewards has been badly overdone and something like a pay freeze may set in.

However, capital markets do not just respond to the economic fundamentals; they have a cycle of their own, which is what can make stock market investment such a source of nervous excitement.

The reason, of course, is that prices do not aimply reflect the wealth and borrowing power of buyers but their expectations of capital profit. If they are confident of profit, they will commit more of their income to a mortgage (or accept a lower dividend return on a sbare) than if they are uncertain or, worse still, pessimistic. So, if the boom does falter, it is not likely simply to fizzle out but to go into sharp reverse, as in Germany. And, as in California, the bigger the speculative fever, the bigger the setback.

This column should probably be read as a distant early warning rather than an alarm signal (although London readers sitting on particularly fat capital profits may begin to muse about the attractions of a contrarian move to some of the more awkward commuting country, where values look quite subdued). However, oil and politics could affect housing as well as other investments.

The drop in the *price of oil* will not itself make any huge difference. It removes one potential bull point—the possibility of substantial tax cuts—but it should mildly stimulate world economic activity, and British manufacturing in particular. However, it will hamper the Government in devising the kind of policies that might win back the support it has lost. The smart money is increasingly backing a hung parliament.

That would have a message for the house market. The unimportant effect would be to kill the recently announced plans to allow local rates to wither away—unimportant, because senior Ministers are already betting that these proposals will do the withering away, rather than the rates. They would *be too unpopular* with too many people.

The real threat is that a future coalition would read the studies the Treasury has already prepared, which strongly urge the merits of a property tax as a source of revenue and suggest it would work still better if it were based on capital values; and that it would start chipping away further at mortgaga tax relief.

As an economist, I would strongly favour both proposals; as a freeholder, I would brace myself for some sharp disappointments.

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• MARKETS •

All things considered, the City is a stable place

WHATEVER the shortcomings revealed by the Westland saga in some quarters of the Government, at least the authorities have been proved right in resisting a sharp rise in base rates. Conditions in both the money and foreign exchange markets have cooled despite the continuing unsettling influence of a weak oil price.

The equity market meantime has been in positively robust health throughout the week. Regardless of all the negative features of the month—a base rate increase, a sharp fall in the oil price, a minor sterling crisis and a major political storm—the All-Share Index has risen by around 2 per cent.

Having managed to overcome all these obstacles with flying colours it is hard to imagine that the Opec meeting next week will reverse the market's desire to maintain the bullish mood. The City seems a far more stable place than it did a week ago and prices look set to drift higher rather than lower—which is good news for the Wellcome underwriters.

Not many weeks go by without a major bid being launched from some cornar of the corporate sector and the past week has been no exception. Monday morning saw the almost ritual announcement of two leading names hitting the takeover headlines. Dawson International has agreed a takeover of the larger Coats Patons to create a textile group with a market capitalisation approaching £1bn.

In many respects the Dawson/Coats announcement is typical of the current takeover wave sweeping through the London market. Dawson, considered to be one of the better run UK textile groups, is taking advantage of its relatively highly rated paper to acquire a much larger industry colleague that had developed a rather sleepy image in the City.

Possibly Coats' directors may have been prompted by the persistent rumours of a hostile takeover, but whatever their reasoning they have achieved an excellent deal for their shareholders. Dawson is offering 111 of its own shares for every 100 Coats.

The simple arithmetic is that Dawson will be contributing about one third of the enlarged group's earnings and therefore its shareholders should receive one-third of the enlarged capital. That may seem fair if the two were simply dividing up sweets but Dawson's earnings are much more highly regarded in the City than Coats'

In round numbers Coats had a capitalisation of £440m before news of firm bid talks, while Dawson's market worth was around £330m. Put the two together and divide by the increased number of Dawson shares and the implied price should be around 170p. Dawson's price fell to a little over 200p—a drop of about 10 per cent on the announcement—where it is supported by an underwriting price of 203p for the cash alternative.

Dawson shareholders should be asking themselves at what price their shares will stand assuming the deal goes through. There is no immediate logic in awarding a premium price—as Dawson's current market price

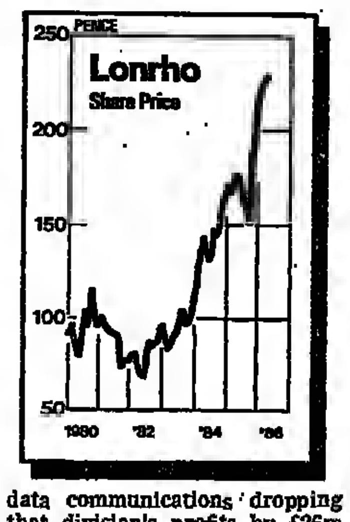
London

would suggest—simply on the grounds of size.

There are admittedly areas of overlap and from an industry standpoint the marriage may make a lot of sense both in the UK and overseas.

But Coats is not a down at heel company just waiting to be transformed by new management; far from it. It will take time for the market to see the benefits from combining the operations and in the meantime, once the cash alternative is out of the way, Dawson's price could be vulnerable.

Racal's half time figures turned out to be no worse than expected which was something of a relief given the disappointments to come out of the electronics sector over the last year. At the pre-tax level profits halved in the six months to £23.2m with a collapse in US



data communications dropping that division's profits by £26m—thankfully the UK's profits seem to defy gravity—while accelerating start-up losses on cellular radio, Vodafone, increased by £5m.

For the full year Vodafone's losses could amount to £19m while the total trading shortfall from the data communications might rise to £45m. But with a little help from radio communications and security the year might still make £95m pre-tax compared with £132m.

The question the market is now pondering is whether Racal can make a substantial recovery in 1986-87. There are reasons for optimism. For a start expenditure on Vodafone is an understandable drain and once the income starts to flow there is no reason to suppose it cannot return good profits.

Us data communications is a less certain activity, but the cycle—which lags behind the US computer equipment cycle by around six months—does seem to be ready to turn up early in the next financial year. Also, Racal has stripped a fair amount of costs out of its US operation, perhaps as much as $20m to $30m in all, which will come through in the next full year.

So taking a fairly optimistic line profits for next year could push right up to £135m, dropping the earnings multiple to around 11½. That might be sufficient to encourage investors again.

Unlike Racal, Lonrho has never really been one of the market's favourite companies, even if over the years it has provided the City with more than its fair contribution of excitement. And yet in recent weeks Lonrho's shares have been gaining themselves something of a growth rating—at least by past standards.

In fact the full year figures this week came in a little below most profit forecasts with a 17 per cent rise to £158.3m pre-tax. Although most analysts reserve judgement until they see the full accounts, scant evidence from the preliminary statement confirms the view that all divisions appear to be progressing well with the exception of agriculture which has been dented by poor commodity prices.

There was some carping about the dividend rise—the payout is 1p higher at 12p—but given the ACT burden the return is a reasonable one giving a yield of about 8 per cent. For Lonrho that is a high rating as the market has never been particularly impressed with the quality of earnings which are wide open to attack from movements in commodity prices and foreign exchanges.

In truth much of the re-rating of late has been prompted by thoughts of a takeover. Certainly there is more than one tasteful morsel within the group that might attract a buyer planning to break the group up and the parts may well be worth more than the whole.

Terry Garrett

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1985/86 High	1985/86 Low	
FT Ordinary Index	1,161.0	+34.8	1,161.0	911.0	Interest rate pressures recede
Acorn Computer	85	+15	680	28	Home computer sales hopes
Amstrad	256	+64	260	64	Home computer sales hopes
Automotive Products	191	+63	191	55	Agreed bid from BBA
Coats Patons	225	+22	225	133	Agreed bid from Dawson International
Cowan de Groot	66	+20	71	31	Powderplan Securities stake
Devenish (J. A.)	725	+77	775	420	Agreed merger with Inn Leisure
Dixon (David)	245	−43	298	116	Merger talks terminated
East Rand Consolidated	65	+ 9½	77	29	Rights offer to finance new mine
Energy Capital	38	+12	74	17	Asset injection hopes
Extel	395	+48	403	276	Bid from Demerger Corporation
Hambros	217	+54	217	132	Hambro Trust to sell stake
Jaguar	390	+34	394	237	US support
Premier Consolidated	34	+ 7	49	26	Buys 11 per cent of Goal/bid hopes
Process Systems	104	−16	143	72	Broker downgrades profits forecast
Rank Organisation	497	+72	503	286	Better-than-expected results
Smith (W. H.) "A"	280	+40	316	162	Pleasing interim results
Tozer, Kemsley & Millbn	81	+10	84	26	Asset injection hopes
Unigroup	114	+11	118	14	Successful rights issue
Woodhouse and Rixson	64	+16	65	15	Talk of share stake build-up

Putting faith in a trust

THE OFFER for sale of shares in the Throgmorton USM Trust, launched on Wednesday, poses a rather obvious question: why would any one want to buy shares in an investment trust specialising in a market where the index has managed to put on only 20 percentage points since its formation in 1980 against a 132 per cent gain in the FT-Actuaries All Share?

The only other investment trust to specialise in the USM—Ivory and Sime's First Charlotte Assets Trust—has, after all, been somewhat lacklustre in performance. Formed in May 1981, it achieved a rise in asset value of only 39 per cent in the four years to December 1985 against a 118 per cent rise in the main market index.

First Charlotte's performance has in part been depressed by the factors which have held back the USM index itself: namely, the market's early dependence on the ill-starred oil and electronics sectors; and the substitution of realism for euphoria which has brought about a downward re-rating of USM stocks generally.

The Throgmorton USM Trust's manager, Throgmorton Investment Management Services, can argue with justification that the market is now on a much firmer footing. It is bigger and more broadly based than it was in 1981, and p/e ratios are much closer to main market levels.

However, Gavin Rennie, First Charlotte's investment fund manager, points to a number of other factors which have held First Charlotte back. In the market's early days, for example, there were few companies to choose from, and those which were selected proved in some cases to be less than satisfactory. "We went through a steep learning curve in identifying profitable situations," says Mr Rennie.

Throgmorton starts with the advantage of a management team with many years' experience in small company investment and an enviable record under the banner of the Throgmorton Trust, the USM trust's stablemate, which also specialises in smaller companies. The Throgmorton Trust is handing over nearly all its USM holdings to the USM trust in return for a 29.5 per cent stake.

However, Mr Rennie says that finding good investment opportunities on the USM is still a problem and suggests that Throgmorton might not find it easy to build up its portfolio. "The quality of businesses within the market is not as great as some people would have you believe. For example, one problem we have identified is that a lot of the companies are family-run and there is no particular incentive for growth: profits are up one year and down the next because the directors do well out of it whatever happens.

"In our view there are probably only 50 companies on the USM with long-term growth potential."

There are further problems when a suitable company has been identified, Mr Rennie says. The small size of USM companies makes it difficult for an institutional investor to acquire enough shares to make up a worthwhile holding: and if the institution does succeed in doing so, it then tends to be locked into the shares because any attempt to divest itself of such a large slice of the company's equity would send the price into a nosedive.

That said, he is optimistic about the USM and First Charlotte's future in it. The fund now has 90 per cent of its assets in USM or ex-USM companies and Mr Rennie feels its formative period is over. "We firmly believe that in the long term it will do exceptionally well."

Robert Seabrook . . . "the bigger the company, the more perfect the market in its shares"

One of the biggest attractions of a USM investment trust is its ability to pick up stock in new issues. Most USM companies come to the market through placings, and private investors in particular find it virtually impossible to obtain shares in them. Investment trusts, however, are an obvious first port of call for sponsors to new issues.

USM
UNLISTED SECURITIES MARKET

Throgmorton, however, hopes to prove attractive for more reasons than that. Its trust is aimed at all investors, private and institutional, who are interested in long-term capital growth through investment in the USM. Robert Seabrook, managing director of Throgmorton Investment Management Services, points out that small businesses inevitably offer higher growth prospects than large companies if the right ones are chosen. "The bigger the company, the more perfect the market in its shares, and therefore by definition the opportunities for rapid growth are fewer."

Attendant on these rosy prospects, however, is the greater risk involved. Small companies go out of business more often than big ones; and although Throgmorton's risk will be spread across the market, the USM itself has yet to experience a bear phase and there is some uncertainty about how well it would survive a bad one.

As First Charlotte's Mr Rennie says: "It's a long-term market. The potential is high, but you have to be prepared to sit through volatile periods. It's a very interesting market to be in, but you must be awara of the risks."

Richard Tomkins

When fortune favours the brave

STOCK MARKET sentiment is one of the most awkward, short-term intangibles for outside investors to grasp. A change of mood, often fed only by rumour or triggered by seeming trifles, can sweep through a trading community taking all before it. Eventually the fundamentals re-assert themselves, but only after leaving some very steep lines on the graphs.

The recent parallel crises in the cabinet and on the world oil market illustrated the effect on sentiment on shares prices, and how traded options can offer a highly speculative opportunity for investors willing to take risks.

Ten days ago Mrs Thatcher was battling for her credibility and the crude oil market was free-falling towards $20 per barrel. The City, with its traditional preference for conservatism, was made nervous by the seriousness of the Cabinet crisis. When crude oil prices fell towards $20, reducing North Sea revenue prospects and threatening the pound, the prospect of a rise in interest rates to steady sterling put the stock market to flight.

Two highly speculative opportunities using traded options presented themselves. One was betting on a substantial move in the stock market using the FTSE 100 index option contract. The second was a direct play on the dollar/sterling rate of exchange.

The risky aspect of both contracts is that they require investors to take short term views of the market during a period of considerable uncertainty and volatility. But for the brave, or the lucky, the potential gains were substantial.

Take first the FTSE 100 option. Ten days ago it was standing around 1370-1380, 50 points below its January high. Investors who expected Mrs Thatcher to carry the day and oil prices to bottom out (both bullish for the market) would have bought a call option on the index.

An option to buy the index at 1400 before the end of February cost a premium of 22p (or £220 per contract, as the premium on this contract is always multiplied by 1,000).

A week later, after Mrs Thatcher's Commons' success and the bounce in the oil

Traded options

market, the index recovered to 1425 and the option could be sold back for 43p (or £430 a gain of almost 100 per cent before charges).

An investor who expected the market to fall would have bought an option to sell the index, a put option; the February 1350s for example. The premium for this was 17p but it fell to 8p in a week, illustrating that big short term losses are also possible in this sector. And when sentiment is playing a major part small investors often require at least as much luck as judgment.

The second volatile market recently, the dollar/sterling exchange rate, can also be tapped by small investors using options.

In the third week of January the dollar went to over $1.44 per £1. The New Year hopes for lower interest rates were fast reversing as a result of the combination of the inconclusive G5 meeting and the downward pressure on world oil prices.

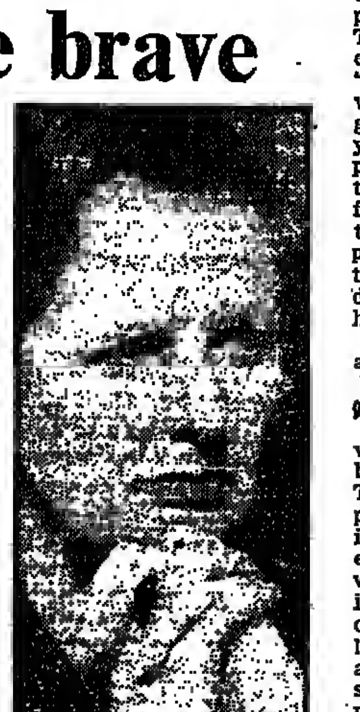
The Bank of England's intervention on behalf of both interest rates (keeping them down) and the pound (supporting it) were contradictory over the longer term and something bad to give. The view that sterling would give ground first would have encouraged investors to buy a put option. When the rate was $1.44 the option to sell sterling at $1.40 before the end of February cost just 2 cents per £1.

When the rate fell to $1.3850 within ten days that option premium was 3 cents per £1. (A put option premium increases in value when the price of the underlying contract falls—the oppositite of a call option.) A 1 cent per £1 profit on a contract with a face value of £12,500 meant in this instance a £125 profit on an initial investment of £250 before charges.

Such movements are not unusual, but they are difficult to profit from unless the intangibles in the market are on your side. Far better to wait for a clear strong trend to emerge, and buy the option on that.

With Budget Day on March 18 there could be opportunities for some interesting index option plays in the next two months.

John H. Parry



Mrs Thatcher . . . a battle for credibility.

Company	Announcement	Dividend (p)* Last year		This year
INTERIM DIVIDENDS				
Aaronson Brothers	Thursday	3.0	1.2	
Aerospace Engineering	Thursday	1.2	1.2	
Andre de Brett	Monday	1.5	1.0	
Flextech	Tuesday	—	—	
Goode Durrant and Murray	Thursday	1.25	1.25	
Howard Shuttering	Tuesday	0.7	0.7	
LOH	Tuesday	50.929	63.700	
Neepsend	Tuesday	0.1	0.1	
Portsmouth and Sunderland News	Thursday	—	1.0	
William Ransom and Son	Thursday	1.65	7.0	
Textured Jersey	Monday	1.75	2.25	
PRELIMINARY DIVIDENDS				
Associated Energy Services	Tuesday	—	1.0	—
Commercial Bank of Wales	Tuesday	—	—	2.125
Martin Ford	Thursday	0.35	0.7	0.05
Meggitt Holdings	Friday	—	—	—
Newman Tonks	Tuesday	1.65	3.75	1.65
Norsk Data AS	Monday	—	—	—
PLM AB	Friday	—	—	—
Quastel	Friday	—	—	—
Throgmorton Trust	Friday	2.75	4.75	2.75

* Dividends are shown net pence per share, and are adjusted for any intervening scrip issue.

INTEREST RATES: WHAT YOU GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 30%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	8.50	8.81	5.19	3.77	half yearly	1	—	0-7
High interest cheque	9.00	9.31	7.31	5.32	quarterly	1	2,500 minimum	0
3-month term	8.75	9.04	7.10	5.17	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	7.00	7.12	5.60	4.07	half yearly	1	1-250,000	0
High interest access	8.75	8.75	6.88	5.00	yearly	1	500 minimum	0
90 day	9.50	9.73	7.64	5.56	half yearly	1	500 minimum	90
Premium	9.40	9.74	7.65	5.56	quarterly	1	10,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.50	8.05	6.33	4.60	yearly	2	5-50,000	30
Income bonds	12.00	8.88	6.97	5.07	monthly	2	2,000-50,000	90
31st issue‡	7.85	7.85	7.85	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.52	8.52	8.52	8.52	yearly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	8.79	8.98	7.06	5.13	half yearly	1	2,500 minimum	0
Schroder Wagg	8.22	8.54	6.71	4.88	monthly	1	2,500 minimum	0
Provincial Trust	9.34	9.75	7.66	5.57	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75% Treasury 1985-88	11.54	9.28	8.00	6.73	half yearly	4	—	0
10% Treasury 1990	11.66	8.50	6.78	5.06	half yearly	4	—	0
10.25% Exchequer 1995	11.35	8.28	6.62	4.96	half yearly	4	—	0
3% Treasury 1987	9.76	8.95	8.43	7.91	half yearly	4	—	0
3% Treasury 1989	9.07	8.15	7.58	7.02	half yearly	4	—	0
Index-linked 1988¶	9.26	8.58	8.20	7.83	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND DEALS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated.				
Anglo-Indo Corp	198§	180	166††	11.75	Plant & Gen Invs
Automotive Prods	193§	191	128	108.67	BBA Group
Business Comptr	24½§§	23	20	1.44	Electronic Data
Charterhouse Pets	108§§ §§	100	66	146.76	Petrofina
Coats Patons	225	225	203	622.53	Dawson Intl
Cole Group	372§	343	240	11.20	Low & Bonar
Davenports (Brw)	423	410	368	34.33	Wlvhmptn & Ddly
Dew (George)	91	90	92	7.28	Bremner
Distillers	521§§	565	510	1.892bn	Argyll Group
Distillers	612§ §§	565	576	2.223bn	Guinness
First Castle Elec	181	174	111	46.79	Morgan Crucible
French Kier¶	299§	297	224	147.23	Beazer (C. H.)
Gomme Hldgs	87*	84	59	11.22	Millmine
Group Lotus	129½*	128	120††	22.74	GMLG
Imperial Group	233§§	246	242	1.762bn	Hanson Trust
Inn Leisure	96½	124	116	25.38	Devenish
Macarthy's Phar	275*§	280	257	30.22	Jadelle
Newman Tonks	131	134	96	41.05	McKechnie Bros
Petbow Hldgs¶	52½§§	50	48††	7.04	Anglo-Nordic
Plessey	162½§§	184	176	1.179bn	GEC
Somportex	28½*§	186	27	0.79	Messrs N. Wray & C. Mattock
Sonesson	190*‖	£17½	£13½††	3.23bn‖	Fermenta
Spencer Clark	140	148	131	7.03	Williams Hldgs
Stanelco¶	10*§	40	38	0.54	Brand Promotions
Thomson T-Line	50*	123	48	0.50	Diamond
Towngrade Secs	32*§	33	37	1.67	Milbank Dev
Utd Biscuits	308	242	278	1.249bn	Imperial Group
Utd Com & Tech	95*	110	70	2.38	Harvard Secs
Wagon Finance	136§	137	124	32.17	MAI
Watson (R. Klvn)	275*	265	248	8.25	Coopervision
Williams (J.)	24§	25½	20	1.39	Wyndham Group
Yarrow	438	500	485	12.57	Weir Group

* All cash offer. Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on January 31 1986. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ‖‖ Loan stock. ‡‡ Suspended. ‖ Swedish kroner.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Allied Textile	Sept	6,380	(5,400)	—	(—)	13.0	(7.24)†
Argyle Trust	Oct	604	(320)	1.88	(1.87)	1.0	(—)
Assoc Fisheries	Sept	3,430	(2,090)	10.83	(8.60)	3.25	(2.75)
Blue Arrow	Oct	2,100	(411)	14.9	(7.2)	1.2	(0.6)
Camford Eng	Sept	1,910	(1,060)	8.6	(5.3)	1.75	(1.05)
Domino Print	Oct	2,650	(1,820)	12.17	(8.48)	1.0	(—)
Gallaher	Dec	109,700	(108,200)	—	(—)	—	(—)
Habit Precision	Sept	642	(439)	5.0	(5.3)	1.75	(1.5)
Heavitree Brew	Oct	737	(609)	22.8	(14.8)	8.25	(7.5)
Lonrho	Sept	158,300	(135,400)	25.6	(20.9)	12.0	(11.0)
Keliock Trust	Dec	772	(726)	—	(—)	0.75	(0.6)
Rank Org	Oct	137,000	(105,300)	36.0	(27.7)	15.0	(12.0)
Securigard	Oct	715	(1,050)	5.4	(8.2)	2.7	(2.35)
Talbex	July	183	(23)	0.79	(0.11)	—	(—)
Television South	Oct	8,900	(8,100)	20.8	(14.4)	8.0	(6.0)
Wagon Finance	Dec	3,330	(3,370)	8.2	(7.8)	1.0	(3.38)
Warner Est	Sept	3,470	(3,160)	22.3	(18.0)	18.0	(15.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Astra Ind Group	Oct	139L	(63)L	—	(—)
Chancery Secs	Sept	405	(286)	0.9	(—)
Courts	Sept	2,130	(2,620)	1.75	(1.75)
Cowan de Groot	Oct	773	(656)	1.25	(1.0)
Cray Electronics	Oct	2,120	(1,260)	0.96	(0.74)
Deajam Hldgs	Sept	7,390	(6,280)	5.0	(5.0)
Dom Hldgs	Sept	585	(530)	1.73	(1.73)
Robt M. Douglas	Sept	583	(295)L	0.75	(—)
Equipu	Oct	655	(573)	1.6	(1.4)
Finlan Group	Sept	235	(81)	1.8	(1.8)
Flogas	Nov	658‡	(484)	1.27	(1.06)
Group Investors	Dec	351	(263)	1.6	(1.3)
Hallite	Nov	46	(265)	3.0	(3.0)
Samuel Heath	Sept	104	(125)	—	(—)
Hillards	Nov	3,780	(3,600)	1.0	(0.85)
Home Farm Prod	Nov	669	(387)	1.15	(1.15)
Kewill Systems	Sept	285	(222)	—	(—)
London Shop Prop	Oct	3,490	(3,190)	1.45	(1.35)
Marker Estates	Sept	82	(55)	—	(—)
Meat Trade Supp	Sept	70	(80)	1.75	(1.75)
Mercantile House	Oct	32,670	(27,510)	4.25	(4.0)
M. L. Hldgs	Sept	707	(423)	2.3	(2.0)
Peerless	Sept	806	(863)	2.1	(2.1)
Racal Elec	Oct	23,180	(47,180)	0.76	(0.76)
Raglan Prop	Sept	122	(110)	—	(—)
Real Time Control	Sept	105	(118)	—	(—)
J. Saville Gordon	Oct	1,130	(1,020)	0.8	(0.7)
W. H. Smith	Nov	21,300	(16,800)	2.0	(1.7)
Vibroplant	Sept	1,950	(1,520)	3.7	(3.3)
Watshams	Sept	1,200	(728)	1.2	(0.9)
Joseph Webb	Sept	131	(120)	0.13	(0.13)
Wiggins Group	Sept	128	(101)L	—	(—)
Wintrust	Sept	1,440	(1,260)	1.8	(1.6)
Zetters	Sept	778	(601)	1.25	(1.0)

(Figures in parentheses are for the corresponding period.)
* Dividends are shown net pence per share, except where otherwise indicated. Equivalent after allowing for scrip issue. ‡ Irish pounds. L Loss.

SCRIP ISSUE

Allied Textile—One-for-one.

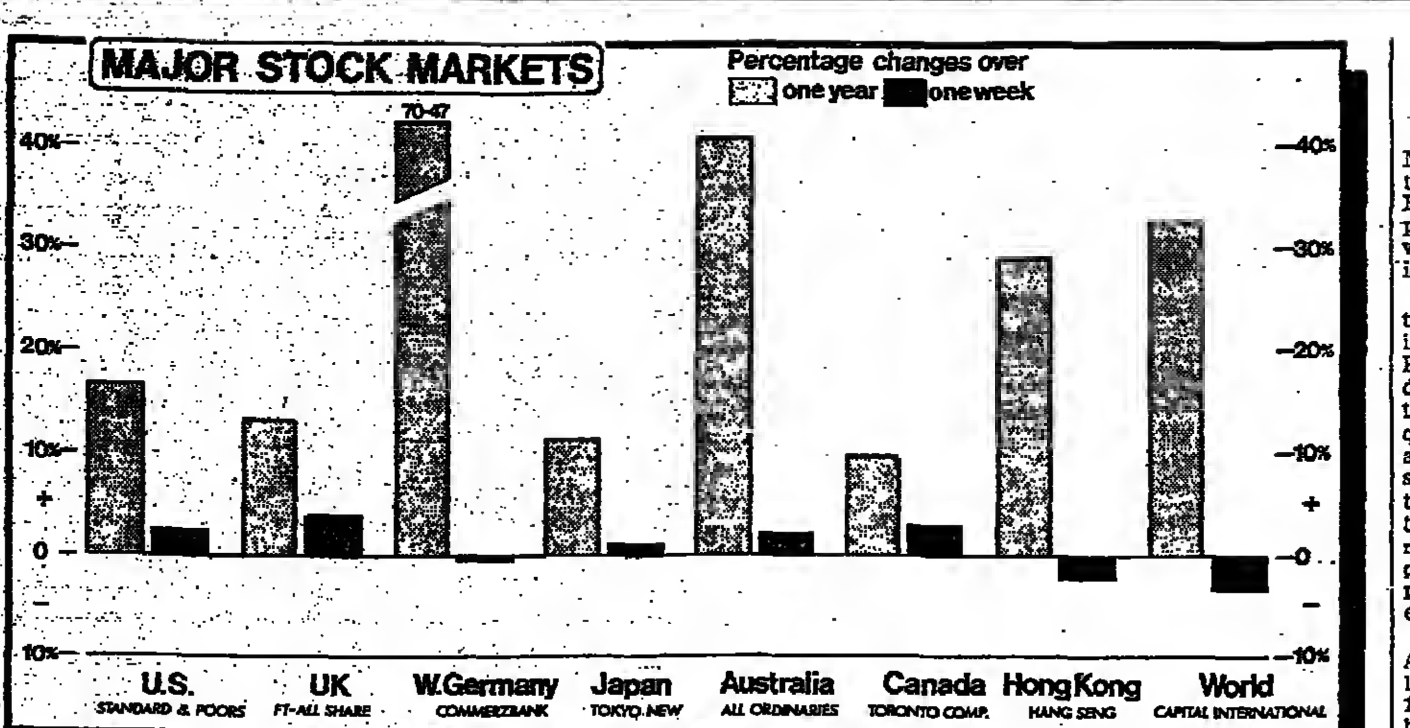
RIGHTS ISSUES

Watshams—Is raising £9.2m by a one-for-three rights issue at 140p.

Porter Chadburn—Is raising a £1.75m rights issue of 2.03m convertible preference shares.

London Shop Property Trust—Is raising £18.56m through a rights issue of £3m of 9.25 per cent convertible loan stock for every 10 ordinary shares.

Cray Electronics—Is to raise £13.2m through a rights issue on a two-for-one basis at 235p per share.



Brazil goes for gold

"BIG GOLD find for Rio Tinto-Zinc," or words to that effect, were being bandied about in the Brazilian newspapers in August last year. The find turned out to be the group's Morro do Ouro prospect near Paracatu, about 240 km south-east of Brasilia, which had been under examination for some time.

Nothing much more was heard about it until this week when RTZ announced that it is to take the open-pit gold proposition to production on a 51-49 per cent joint venture basis with the Brazilian company Autram Mineracao e Participacoes.

One reason for the lengthy examination of the prospect appears to be the low gold content of the ore. It is believed that the grade is less than one gramme gold per tonne and the property will thus need to be worked on a cost-saving major scale in order to pay. RTZ, of course, has plenty of experience in such operations.

The cost of taking Morro do Ouro to production is put at about $62m (£43.8m) and first output is planned for the end of 1987 at an average annual rate of 3 tonnes, or about 96,450 ounces, of gold.

It is a big deposit—something in the region of 80m tonnes of ore has been suggested—and the mining plan envisages a life of 15 years for the operation. This might well be extended in the meantime by exploration for additional mineable reserves.

Making a paying proposition out of such low grade ore will be quite a challenge and will no doubt be watched with a good deal of interest by others in the mining industry.

RTZ says only that a specific metallurgical process has been developed and presumably takes a favourable view of prospects for the gold price, which seems to have settled quite happily at its recently improved level of just over $350 an ounce.

That price is also very acceptable for the South African gold producers, although they have lost part of their exchange rate advantage in sales revenue as a result of the improvement in the value of the rand.

Still, that has not stopped share prices from rising, and now we must await the international investment community's reaction to yesterday's major speech by President P. W. Botha.

Meanwhile, the grandiose scheme for the merging of Anglo American Corporation's Orange Free State gold mines into the world's biggest gold mining complex, with an annual output of gold worth almost $1.3bn, looks like going through.

The proposals were passed at this week's meetings in Johannesburg of President Brand, President Steyn and Western Holdings. That of Free State Geduld, however, ran out of time as a result of some lively questioning and it has been adjourned until February 11.

Pending the meetings, these mines held back their reports for the December quarter of 1985. The idea was to issue a combined report for all of them if the merger plans were approved at the respective meetings. As it is, they have decided to issue separate quarterlies while the vote of Free State Geduld shareholders is awaited.

Unlike the general trend in the industry, lower net profits for the period have been reported by these mines with the exception of President Steyn.

Thanks to the higher gold price received, all have earned more at pre-tax level; but in view of the pending merger they have soft-pedalled on the tax-offsetting capital expenditure and, as a result, have had to face sharply higher tax bills.

The gold producers in Australia are doing so well that the payment of dividends is becoming the order of the day—whatever next?

Carr Boyd Minerals has said that it should pay a first dividend for the present year to June 30. A little of the shine was taken off this news by the accompanying announcement that, in the meantime, there will be a *small* one-for-ten rights issue of new shares at A$1.35 (about 68p).

Then, we have had North Kalgurli declaring a maiden dividend of 2 cents to the accompaniment of a leap in half-year profits to A$4.36m from A$1m a year ago. Tony Grey's Pancontinental Mining could be next in the dividend list, although assets growth may take priority over dividends in this case.

Still, I hear that his Paddington gold operation—which was nearly lost to claim-peggers on New Year's eve—is now up to full capacity and should produce 90,000 oz in the current year to June 30.

There is also news from a certain little furry friend of ours to the effect that Paddington is planning a "material" increase in production. We should hear more about it towards the end of February, says Moley.

Finally, a plea to Australian mining companies contemplating dividends. It would be nice if they followed the example of little Kia Ora Gold and sent the dividends in sterling cheques to UK shareholders, thus saving the latter the cost of bank charges on the currency conversion.

Mining

Kenneth Marston

Exchange is hit by chill factor

THE ICY Arctic winds that ended an unseasonal mid-winter thaw in southern Ontario early this week are not the only reason for a chilled numbness on the Toronto Stock Exchange.

During a month of record trading volumes in January, share prices have taken their heaviest battering in years and then staged a spirited recovery. In the three days to January 22, the TSE 300 index suffered its biggest fall since March, 1980. On that day, the index was 142 points below the record high of 2,901 reached on New Year's eve.

Since then, the index has bounced above 2,850 again. But little is heard now from those analysts who, just a month or two ago, hoped that a further drop in interest rates, rising corporate profits and investors' willingness to accept higher price-earnings multiples would help to sustain the boom.

Merrill Lynch Canada hedges its bets in its latest investment letter by advising "a large measure of caution in an otherwise aggressive investment strategy."

The year started badly for the stock market when the Bank of Canada pushed up domestic interest rates to counter unexpectedly strong pressure on the Canadian dollar. Banks raised their prime lending rates from 10 per cent to 11 per cent in the first two weeks of January.

A stubbornly high Federal budget deficit, combined with strong investment spending and heavy demand for home mortgages, appear to rule out any significant downturn in interest rates for the rest of 1986.

The slump in world oil prices might bring a small net benefit to the Canadian economy, but it has brought no cheer to a resource-orientated stock market. The TSE's oil and gas index has slid by about 15 per cent from last year's peak.

Another major sell-off is expected if oil prices fall to $US15-18 a barrel. At those prices, the future of many heavy oil projects in Alberta, as well as the development of oilfields off the east coast and the Canadian Arctic, will be in jeopardy. Analysts are keeping a nervous eye on Dome Petroleum, the oil and gas producer which edged into profitability last year but is still burdened by C$6bn of debt.

While drilling companies were the main victims of the 1980-82 drop in energy prices, analysts expect that junior producers will suffer most this time round. Calgary-based Sulpetro and Ocelot are among the juniors which still carry substantial debt from the 1981-83 recession. They are thus vulnerable to higher interest rates as well as lower oil prices.

Canadian banks are in the same position. Despite being an analysts' favourite, Bank of Montreal's share price has dropped about 10 per cent from its peak of C$35. Problem loans to real estate and energy companies have been a drag on the banks' performance for the past four years. They also have a substantial exposure to Third World oil producers, especially in Latin America.

On the brighter side, Roy Palmer, banking analyst at the securities firm Alfred Bunting and Company, points out that Canadian banks have made large provisions for problem loans. Royal Bank has set aside C$1.6bn in the past three years and most banks' provisions for loans to 32 of the most-troubled international debtors are expected to top 10 per cent of their exposure this year.

The problems in the oil patch have rubbed off on investors' perceptions of some of Canada's biggest public companies. The two diversified conglomerates, Canadian Pacific and Bell Canada Enterprises (BCE), and Hiram Walker, best known for its whiskies, are among those with substantial energy investments.

BCE, whose share price has fallen from C$45¼ to C$38 in the past seven months, has suffered a double blow. It has a 47 per cent interest in Trans-Canada Pipelines, the large pipeline operator which stunned the investment community in December by announcing that dividend payments would not be raised in 1986.

BCE also controls the telecommunications equipment supplier Northern Telecom. After several years of heavy growth, Nortel forecast earlier this month that earnings would sink by 20 per cent in the first half of 1986. Its share price has tumbled by a third since last February.

Amid the gloom, analysts are recommending consumer and manufacturing companies as most likely to benefit from those parts of the Canadian economy expected to perform well this year. Philip Heitner, portfolio strategist at the securities firm Nesbitt Thomson Bongard, cites Ivaco, an aggressive Montreal-based steel producer and fabricator, and Haley Industries which produces specialised castings for the aerospace industry.

Merrill Lynch Canada includes among its recommendations CAE Industries, a leading maker of flight simulators, and the department store chain, Sears Canada.

However, events of the past week have shown that investors' best-laid plans can go awry. The destruction of the space shuttle brought a spate of sell orders for Spar Aerospace, the highly regarded manufacturer of the shuttle's robotic arm. Analysts have been recommending Spar shares, but news of the crash pushed their price down by almost $1 on Tuesday.

Toronto

Bernard Simon

Shares face a crucial week

President Botha, who opened Parliament yesterday.

NEXT WEEK'S performance of the Johannesburg Stock Exchange (*JSE*) is likely to provide a crucial indicator of where South Africa's economy is headed.

If local and foreign investors turn their thumbs down to indications of reform given by President P. W. Botha at yesterday's opening of Parliament, their loss of confidence will quickly be followed by industry and commerce. For although stock market indices have touched *record high levels* in the past two weeks, confidence remains brittle and internal perceptions of the country's prospects differ widely from external views.

On January 21, the JSE Actuaries All Market index touched an all-time high of 1,411.9 — more than 40 per cent higher than its nervous trough of 1,000 a week before President Botha's ill-conceived "Rubicon" speech last August. It was more than 50 per cent higher than the 922.6 it touched in February last year.

Reversal of the stock and foreign exchange markets' responses to the August speech, which promised no new directions for South Africa's stalled political reform process, became possible only with the reimposition of stern foreign exchange controls. They returned domestic investment markets to the hothouse of *restrictions* and effectively increased the financial penalties suffered by foreign sellers of South African shares.

The stock market was closed for almost a week in the final days of August and reopened to the reintroduction of the dual exchange rate system which had been abolished only in February 1983 after more than 20 years.

This led to four months of divergence between the JSE's internal and external performance. The reimposition of the so-called financial rand system ended the drain on reserves of foreign divestment and turned many would-be non-resident sellers of South African scrip into currency hostages.

While the commercial rand dropped to record lows against the dollar as foreign creditor banks rejected South African *initial proposals for ending the* unilaterally declared debt repayment moratorium, the financial rand moved even lower to trade at discounts of between a quarter and one-third to the commercial rand. The effective value of the financial rand precisely reflected non-residents' antipathy towards South African shares.

Meantime, inside South Africa the rand's weakness was transforming the performance of the important gold mining industry. The decline in the external value of the rand translated into record rand-denominated gold prices even though the dollar price of gold was wallowing just above $300 an ounce. Investment in gold shares offered South Africans not only protection from the rand's decline but also from the country's rising inflation.

In July, when foreign creditor banks demanded repayment on maturity of short-term loans they put paid to South African hopes that the country would emerge from its worst post-war recession on the back of improved foreign trade. Foreign loan repayments would have prevented that.

Official policy switched away from inflation-fighting austerity to potentially inflationary economic stimulation. The Reserve Bank initiated a cheap-money policy which led the commercial banks to cut their prime overdraft lending rates from a high of 25 per cent last May to 15.5 per cent by the end of January. Inflation responded by soaring to a record 18.4 per cent in December.

The attractions of ordinary shares, which in the longer run generally provide inflation-beating dividends and capital gains, became increasingly obvious as investors were faced with the prospect of widening real negative yields on other investments. Turnover on the JSE has set new records this year, helped by share purchases by institutions which saw their hopes of being permitted to invest abroad dashed by last year's foreign exchange controls.

Johannesburg brokers have been quick to spot the advantages of the strong cash flows which record rand gold prices have given to gold mining companies and the mining houses. Their enthusiasm has *grown* with this year's gold price advance. As one broker put it: "South Africans are far happier with a $350 gold price and a rand worth 45 US cents even though the gold mines' rand earnings are lower than with a gold price of $500 and a rand at only 35 US cents."

This etches the frame of mind of South African investors at present. They chased share prices upwards in their scramble to protect themselves after the imposition of foreign exchange restrictions in September, and have now switched to buying recovery prospects as higher dollar gold prices promise some loosening of the country's economic straight-jacket.

In non-mining sectors, investors have tended to concentrate on buying shares in firms such as Sappi (paper) and Aeci (chemicals), which have been able to increase prices internally as the rand's decline has curbed import competition.

Effectively, of course, this provides a form of hedge against further weakness of the South African currency.

On another tack, there is emphasis on firms which will benefit rapidly from the authorities' stimulatory measures and those which are likely to benefit from *capital spending* at Mossel Bay, the site of South Africa's first exploitable offshore gas/oil field.

There is, of course, the added confidence engendered by debt mediator Fritz Leutwiler, who left South Africa recently saying that President Botha was likely to announce reform plans which would be acceptable to the foreign creditor banks and persuade them to reverse their *refusal* to roll over *maturing* short-term debt. Dr Leutwiler is due to put new proposals to creditor banks on February 20, and the South African press is already making optimistic noises about their prospect for success.

If investors are disappointed by President Botha's speech yesterday, the effects will be far more comprehensive than a mere slip of the indices. Despite the Reserve Bank's managed reduction of interest rates, several large companies plan to follow others in raising new equity capital through the JSE.

Many of them do not need additional capital to finance expansion projects. Rather, new capital is needed to restructure balance sheets debilitated by operating and foreign exchange losses in 1984 and 1985.

The country's two largest banks, Barclays and Standard, had rights issues last year which were not followed by their British parents and which led to their foreign ownership slipping well below 50 per cent. Both denied any political motives in the moves, but the effective divestment of Barclays International plc coincided with President Botha's August speech and contributed to the shattering of confidence in the Rand.

Last year, privatisation of state-owned industries ground to a halt. This year, it should resume provided the market holds up. Brokers believe the Government could well decide to privatise parts of the creaking public-sector health service as well as sell the state's residual stake in oil-from-coal producer Sasol and its interest in phosphate rock producer Foskor.

Nevertheless, the Government is unlikely to allow private investors to acquire a direct stake in the Mossel Bay gas project until it is on stream.

South Africa

Jim Jones

Consolidation, or ups and downs

WALL STREET analysts have a simple, one-word answer to explain the performance of the equity market over the last few weeks. Whichever way stocks have been heading, they have really been doing only one thing—"consolidating."

It is difficult to give a precise definition of the word "consolidation" as applied to the US stock market. It is talked of as a process akin to digestion, as though the market were an active, rather than a passive institution, that had decided to mark time and rest from over-exertion. In practical investment terms, however, it means that shares are likely to go up one day and down the next, without establishing any clear trend for a considerable period of time.

In this sense, the last four weeks have given a classic demonstration of consolidation. On January 7, US share prices as measured by the Dow Jones Industrial Average, hit their all-time high at 1565.71, yet only two weeks later they had fallen to 1502.29. Since then, they have bounced back up again, breaking briefly through the peak on Wednesday before settling back to close at 1558.94.

Some specialists think this yo-yoing could continue into the spring, mainly because, like the man who has gorged himself on [illegible] food, the market is [illegible] to sleep off the excesses [illegible] end-year share price explosion.

"We view the moves of recent weeks as part of an interim corrective process rather than the end of the bull market. New advances are likely by the spring, in our opinion," said Merrill Lynch in its market letter this week.

The optimistic case was much in evidence early in the week as share prices stormed ahead, basically because investors had had second thoughts about the impact of the slide in oil prices. The initial response to the oil price turnaround earlier in the month was one of extreme caution, with stocks being marked lower as though investors had entirely forgotten the homilies a few years ago about the havoc being caused by higher energy prices.

This week, thoughts on the negative impact on the banks, whose loans to the oil sector are dangerously exposed, were offset by the perception of the positive effects on much of industry.

"Fundamentally, what is happening to oil prices is beneficial to most people, most companies, most countries, and to the Western geopolitical position," said Michael Sherman, of Shearson Lehman.

The relevance of both kinds of thinking on oil was underlined during the week by different events on Wall Street. On Monday, investors saw *the dangers of rapidly* falling revenues and prices, when Global Marine, the large Texan oil services group, filed for bankruptcy under the Chapter II regulations.

At the same time, the stock market was swinging towards a more favourable rating for the chemicals companies, where feedstock prices are now heading downwards faster than their own prices for *finished goods.*

This recovery in sentiment for chemicals was helped by Du Pont's quarterly figures, which showed a 23 per cent earnings increase in the final three months of last year, even though profits in the year as a whole fell by about the same amount. Du Pont's shares rose by $1 on the news to $64.

Similar influences have also helped the airlines, whose cost structures will receive a big boost from cheaper fuel. In the present state of their finances, many US carriers need every cent they can get from Sheik Yamani's production policies.

The dangers of cut-throat competition, palpable enough already to airline employees, many of whom have had their wages reduced by at least 20 per cent, was underscored this week in forecasts from People Express, the pioneer of discount airline travel.

During a quarter in which it bought Frontier Airlines and launched some aggressive low-price fares, its margins took a hammering, and it gave a warning that its losses would be greater than expected.

Yet in spite of these little local problems for some of the airlines, the overall enthusiasm over energy prices has pushed the Dow Jones Transportation Index to record highs.

MONDAY	1537.61	+ 7.68
TUESDAY	1556.42	+18.81
WEDNESDAY	1558.94	+ 2.52
THURSDAY	1552.18	− 6.76

Wall Street

Terry Dodsworth

NEW PRODUCTS

Expatriate pensions

SAVE AND PROSPER International has introduced a pension plan for expatriates which, it claims, offers greater flexibility and portability than other similar schemes.

By combining several components in one package the Global Retirement Account can be used by both short and long term expatriates, including those who may spend spells in the UK in between overseas postings; and by those who contemplate a series of job changes, or move from country to country.

Contributions can be paid either as a lump sum or by regular monthly or annual payments. Contributions can be varied, and paid in either sterling or US dollars. Both the single premium and regular premium endowment policies can be linked to any of the company's other 13 funds, including the newly launched managed fund.

The regular premium contract can also be linked to its new guaranteed fund. A single premium guaranteed growth policy is another option.

Minimum contribution to the new retirement plan is £100 or $150 a month, or $1,500 a year. The minimum lump sum payment is £1,000 or $1,500. Benefits can be paid in any country without tax deduction at source, either as a lump sum or regular income or as a combination of both. The fund, which is offered by the company's insurance subsidiary based in Bermuda, is administered by Save & Prosper (Jersey).

Those returning to employment in the UK before retirement have the option of either cashing in their policy—provided they have held it for at least one year—or of retaining their offshore policy. Future contributions can then be paid into the company's UK Personal Retirement Account without having to pay any initial charges if the contributions are at the same level or less.

Alternatively, if the expatriate is returning to the UK for good, and the premiums on the offshore policy were paid as a regular savings plan, then those contributions will count towards the qualifying 10 year period of a UK policy if the expatriate takes out a substitute UK qualifying endowment policy.

Although no further contributions would be made to it the offshore policy would be retained. A holder would, however, be subject to any capital gains which accrued to the fund after taking up residence in the UK. The same tax liability applies to the expatriate returning to the UK only temporarily.

However, if the expatriate has held the offshore policy for seven and a half years it can be cashed in for a tax free lump on return to the UK. If the policy has been held for 10 years, the holder has the option of receiving tax free income from the policy instead, on returning to the UK.

M. H.

Wellcome Flotation

Long-term hope

INVESTORS HAVE until February 7 to decide whether to take part in the biggest-ever flotation of a private company on the Stock Exchange, as shares in Wellcome, the £1bn drug company, go on sale to the public.

While some have said that the 120p offer price has been set a little too high, nobody could regard Wellcome as a risky investment. It has a broader range of drugs than any other UK pharmaceuticals company, much wider than say Glaxo or Fisons, and also has a good store of products to be launched over the next few years. In addition it is particularly strong in the US, where the market is relatively free from government control.

With only 25 per cent of the shares going on offer—the trustees of the charitable Wellcome Trust are hanging on to the rest—institutions may be particularly anxious to get a slice. US investors may also be keen, as the US subsidiary, Burroughs Wellcome, is a well respected name. Although they are forbidden to buy shares for the first 90 days of dealing, some US interests may find ways of getting hold of them indirectly, and purchases from other buyers could support the price when the ban is lifted.

There are a couple of stains on Wellcome's recent record that might put off some potential investors. The company has lost four senior members of staff over the last year and a half, including the head of Burroughs Wellcome and its research director, who both resigned just as the pre-flotation publicity went into full swing. However, Wellcome seems to have enough resilient tiers of management to be able to fill the positions internally.

A more significant drawback (or advantage, depending on one's view) is the sensitivity of profits to the movement in dollar/sterling exchange rates. The rise in the dollar from 2.15 to 1.22 over the past five years has been a major reason for the increase in pre-tax profits from £50m in 1981 to £122m in the past financial year. The reversal in the dollar since then may mean profits more or less unchanged this year, after currency losses of as much as £20m.

This poor prospect is reflected in the offer price, and in any case, with sterling now under renewed pressure as oil prices slide, currency unease is not likely to be foremost in investors' minds.

A burst of buying of pharmaceuticals shares during the past few days has also been a happy accident as it makes Wellcome shares, which are being sold on a price/earnings multiple of 16, look quite cheap compared with Glaxo and Fisons.

Barring a major fall in the market or a surge in sterling against the dollar there should be no shortage of takers for Wellcome shares. And this time the stags are not necessarily to be excluded. Unlike recent privatisation issues when stagging had been strongly discouraged, with multiple applicants threatened with prosecution, the Wellcome issue contains no such warning. However, as the real benefits from investing in Wellcome are more for the long term than the short, this is not an issue likely to bring the stags out in full force.

Lucy Kellaway

Interest Rates

Banks see red

JANUARY IS traditionally a difficult financial month when Christmas spending sprees come home to roost and year-end bills pile up. Increasing use of credit cards has heightened the January "crisis" as goodies bought at Christmas loom large on the monthly statements.

The cost of unauthorised overdrafts has soared over the past year or so and, contrary to popular belief, you may well be better off paying interest to the credit card company than running into overdraft to clear your credit card account.

There are two kinds of overdrafts: those you negotiate with your bank manager and those you help yourself to, which includes dipping in the red on your current account at the end of the month. You will be charged between 1 and 3 percentage points above base rates by most banks for a negotiated overdraft—between 5 and 7 percentage points by the Midland.

At Lloyds Bank, the Co-operative Bank, and TSB England and Wales these fees are at the managers' discretion and are often waived entirely. The three other major clearers, however, continue to charge arrangement fees—1 per cent of the overdraft limit, with a minimum of £10—at the Midland, 1 per cent with a minimum of £5 at Barclays and a sliding scale from 1.5 per cent for the smaller overdraft to 0.175 per cent for very large ones with a minimum of £15 at National Westminster Bank.

But an authorised dip into the red at the end of the month will cost you a swingeing 12 or even 15 per cent over base rate. National Westminster Bank currently charges you 24 per cent; Barclays, Lloyds and the TSB currently charge you 24.5 per cent; the Midland and *Co-operative Banks as much as* 27.5 per cent. NatWest charges less 24 per cent but also imposes a fee of £6 a quarter of anyone who dips in the red. However, though they will still charge you this fee your NatWest bank manager is unlikely to follow this up with a "nasty" letter if you only dip into the red to the tune of either £100 a quarter or are overdrawn by £10 on any five days in a month.

It was not always thus. Banks used to charge 1 or 2 percentage points at most above the authorised overdraft rate, the highest rate for which was also lower at 5 per cent. But in the last year or two and for no declared reason banks have sharply upped the penalty.

The banks justify their move is somewhat moralistic tones arguing that the new rates are intended as "deterrent" rates aimed at discouraging customers from helping themselves to an overdraft.

This is very much the attitude at the Co-op Bank, pioneer of free banking, which as an added "deterrent" has just recently increased the rates on its unauthorised overdrafts from 12.5 to 15 per cent above base rate in line with the Midland's. The same now goes for the TSB which until the end of last year was the most lenient charging its unauthorised borrowers only 7 percentage points above base rate. This has now been increased to 12 per cent.

But if banks are genuine in their desire for people to have authorised rather than unauthorised overdrafts they might encourage them to do so by dropping those negotiating fees which have to be paid each time an overdraft—which can run for 3 to 12 months—is renewed.

Late entry to Europe

FRAMLINGTON IS a late entry into the European fund sector, as its chief executive Bill Stuttaford admitted on the launch today of the Framlington European Fund.

The company's policy of issuing just one new trust a year and its internal pre-occupation with the link up with Credit Commercial de France could mean it has missed the boat on Europe. But the fund manager, Philippe Herault, seconded to Framlington from CCF, believes that European stock markets still have a lot of growth in them, attracting major institutional investors from the US and Japan. Other bull factors he cites for investment in Europe are slow, sustainable, non-inflationary growth and a new culture in Europe where profit is not a dirty word.

It remains to be seen whether Framlington can overcome the late entry to the European markets.

The accent will be on smaller companies, on long term growth, quality earnings and strong balance sheets — very much in the Framlington style.

The initial portfolio will be split 30 per cent each in West Germany and France, 15 per cent in the Netherlands, 10 per cent Italy, 8 per cent Switzerland and the remaining 7 per cent spread among Austria, Belgium, Scandinavia and Spain. This means an overweight position in France, Italy and the Netherlands.

Conveyance costs less

YOU CAN now sell one house and buy another for as little as £25, proclaims the front cover of a new edition of Bradshaw's guide to DIY house buying, selling and conveyancing. And that includes *the cost* of buying the book, according to the author and publisher, Joe Bradshaw, a well-known campaigner on the subject.

The book aims to provide a detailed guide on how to buy and sell a house without using an estate agent or solicitor and is certainly written in a lively style. *Priced at £5.95, it is obtainable* either from bookshops or direct from the publisher, Castle Books, Blackdown, Leamington Spa, for £6.45 post free.

Risks in balance

ONE REASON for investors using unit-linked life contracts is that they want some adventure in their investment and are willing to take some risk if the ultimate investment reward is commensurable.

The latest development in this area is for life companies to offer managed funds with varying degrees of risk and reward. The investor decides on the type of fund and the life company does the rest.

The latest in this field is Irish Life, which under its new Universal Investment Account offers UK investors a choice of three managed funds under the rather staid titles of Security Fund, Balanced Fund, or Opportunity Fund.

The balanced fund follows the more normal managed fund mix of UK equities, high yield fixed interest and property.

The opportunity fund for the adventurous investor invests worldwide aiming at growth potential companies.

Irish Life has also followed the lead of certain other life companies in recognising that they do not have a monopoly of investment expertise. The use of investment management groups with particular areas of expertise is far cheaper than setting up in-house operations. So Irish Life has linked up with unit managers from GT, Henderson, and Western Trust and Savings.

Buying a Home

Guarantee your deposit payment

YOU have found the new home you want and been granted a mortgage but the problem remains of paying the deposit—usually 10 per cent—before exchanging contracts.

If you do not have the ready cash, you can try for a bridging loan from your bank—expensive and not always easy to get—or perhaps pass on the deposit paid by the person buying your house if it is high enough.

These, however are problemotical and now there is an easier way: you can take out a single-premium insurance bond that guarantees payment of the deposit.

Two such schemes are being launched in England and Wales by major insurance companies after test marketing in some areas of the south-east.

Lombard Continental has relaunched a scheme first introduced early last year and is now being joined in this venture by Eagle Star. At the same time, Legal and General is extending its scheme marketed through Personal Assurance.

In both cases, you pay a single premium for a bond issued by your solicitor which is handed over to the vendor on exchange of contracts. Should you not proceed with your purchase and the deposit becomes due, this then is paid out by the insurance company. The cost of this bond is considerably cheaper than borrowing the deposit from the bank.

Having improved its conditions, the Lombard/Eagle Star scheme offers some advantages. It is now available to first time buyers and the premiums have been reduced substantially—in some cases, more than halved.

Its Deposit Guarantee scheme operates on a sliding scale of premiums. There is no ceiling on the size of the bond beyond 10 per cent of the purchase price and its life has been extended from a completion date of six weeks to one of eight weeks. If you fail to complete your purchase within that time, the policy is simply extended for an additional premium.

The cost of a bond for a 10 per cent deposit on an £80,000 house, with a completion date of eight weeks after exchange of contract, would be £47. This compares with £235 for an £8,000 bank bridging loan over the same period for which you will be charged at least three percentage points above base rate and an arrangement fee — in this example £50, although it can be anything up £150.

Legal and General's Property Deposit Bond, although also cheaper than the bank, is more restrictive. It is not available to first time buyers; you must be selling another property; the exchange of contract dates must *coincide*; and your *completion* date has to be within six weeks after that.

Its premiums are fixed at 1 per cent of the deposit — £80 for an £8,000 deposit — and there is a ceiling of £15,000.

M. H.

Back the residential market

ANYONE attracted by the idea of investing in a second home, but lacking the funds, can for £1,000 buy a stake in residential property through a new fund being launched today.

Schroder Financial Management's Residential Property Bond will be only the second fund to invest in residential rather than commercial property —the first was Henderson Prime Residential Property.

Investors who are convinced that property values will continue to appreciate can opt to have all their investment placed in units of the Residential Property Fund. Those who prefer to spread their investments can do so between any other of the group's life assurance and pension policies.

Additional investments can be made at any time in multiples of £500. A bond can also be issued as a series of separate policies, subject to a minimum of £1,000 per policy.

The fund's investments will be directed at prime residential properties suitable for letting to "substantial" corporate tenants for use by their senior executives, so falling outside the Rent Acts. These properties, worth an average of around £300,000, will be mainly in the up-market areas of London such as Mayfair, Chelsea and Knightsbridge.

They will be let on leases of one year or more, with annual rentals set at around 10 per cent of the property's value up to an expected maximum of £1,000 to £1,500 a week.

Property selection will be carried out by estate agent and surveyor John D. Wood, while independent valuations will be undertaken by Jackson-Stops and Staff, also a specialist in residential property. Tenants will be selected by Home From Home Property Management Service, which will also negotiate leases and manage the let property. Overall responsibility will, however, rest with Schroder Life Assurance.

The initial management charge taken off any investment will be 5 per cent, after which there will be an annual charge of 1 per cent of the value of the fund. Other charges, including letting and management fees, will total 20 per cent of the rental income.

M. H.

Business Expansion Scheme

Plenty of choice for investors

THE FLOW of new Business Expansion Schemes, designed to catch investors before the end of the current tax year in April, continues.

There is a wide variety of choice available among the latest batch, which range from manufacturers of a new type of domestic waste disposal unit to a group already well established in the leisure industry.

The company wanting to manufacture and distribute in Europe a waste disposal unit designed in the US, is Hydro-Tech (UK), based in Corby. The unit, called Wastemate, was developed by engineers in the NASA space programme. It requires no electricity; it runs solely on domestic water pressure.

It is seeking to raise £750,750 by issuing 385,000 new 5p shares at £1.95 a share. Minimum investment is £975. Sponsors are Bentinck Investment Management, who have an option, until January 1995, to acquire up to 2 per cent of the company at only 97p per share.

Tomorrow's Leisure, formerly Gamehost, wants to enlarge its capital base by selling 4.8m shares at 25p each. The company was formed to take over the leisure interests of the Norstead Engineering Services group, which include an hotel, 10 snooker clubs, a golf centre and a country park.

The money raised will be used to develop these leisure activities. The offer is sponsored and underwritten by Guidehouse Ltd, which has been given options over 240,000 shares at the offer price, exerciseable any time during the next seven years. In addition to receiving a fee for the offer, Guidehouse will receive a commission of 5 per cent of the subscription monies and an underwriting commission of 5 per cent.

Minimum investment is 2,000 shares and the closing date is March 5, unless the offer is fully subscribed before that date.

City and Capital Hotels is looking to raise £3m to finance the purchase and refurbishment of small hotels in central London with between 15 and 40 bedrooms.

The minimum amount required of £1m is underwritten. The executive directors have invested £50,000 at the offer price. As an additional incentive the promoters have been allocated "A" shares entitling them to 30 per cent of the increase in net value of the company, but only after investors have taken a priority yield of 5 per cent a year (27.6 per cent growth on their gross investment), and only at the end of five years. Minimum investment is £3,000, and the offer closes on February 24. Sponsors are Johnson Fry.

Private Medical Centres has Sir Gerard Vaughan MP, ex-Minister of Health as its chairman. The company plans to set up rehabilitation centres in south-east England.

It is hoped to raise as much as £5m, but a minimum of £1.45m has been underwritten.

As with the other Johnson Fry-sponsored scheme, the promoters have been allocated special "A" shares which become more valuable only after five years, and if the value of the company has increased by 61 per cent. Minimum investment is £3,000 and the offer closes on February 24.

John Edwards

Second helpings

INVESTORS IN Business Expansion Scheme companies have to take the long view on their money. To obtain tax relief under the BES they have to hold on to their investment for at least five years, and in most cases they will spend those five years without much of a clue on the value of their shares.

Many companies undertake to arrange for an over-the-counter share dealer to provide facilities for investors to buy and sell if they wish, but any dealings under these arrangements are likely to provide only the sketchiest of guides to their real market value. There is always the consolation that the shares have to go down substantially in value before the effects of the tax relief are wiped out, but many investors would find it comforting to have some firmer indication of what their BES investment is worth.

Some companies that have already raised money under the BES, however, are now coming back for a second helping. And for last year's investors in one of these companies, Country Gardens, the new share issue provides welcome news of a 50 per cent gain.

Country Gardens raised £1.5m last February, with shares priced at 50p. Its new prospectus offers shares at 75p. The gain arises because its properties have appreciated in value since they were bought. Although the company still has £500,000 of the money it raised last year in the bank, its two garden centre sites are now valued at £1.75m.

George Graham

• FINANCE & THE FAMILY •

Buy-out right is third option

Eric Short explains a third option now available for maintaining pension rights accrued with a previous employer

WHEN employees change jobs, they now have a third option in maintaining the pension rights accrued with their previous employer's scheme.

They can take their transfer payment and invest it in a Section 32 buy-out annuity from a life company.

Previous articles have described and discussed the other two options available to employees on maintaining their pension rights when they change jobs. They can either leave those rights in their old scheme in the form of a deferred pension. Or they can take the cash equivalent of that deferred pension—known as a transfer value *payment*—and take it either to their new employer's pension scheme or into a buy-out annuity.

A buy-out annuity is a lump sum investment where the money is accumulated to the date of retirement and then the sum used to buy an annuity.

It is a money purchase *arrangement*. *But there are* complications. The buy-out annuity is intended to offer an alternative to a deferred pension. Thus, the form of the benefits under a buy-out must conform to the benefit pattern in the employee's old pension scheme. This is not an easy task because the deferred pension operates on a defined benefit basis.

Thus the retirement date on the buy-out has to be the same as determined by the retirement age in the old scheme, with similar provisions for early retirement.

The Guaranteed Minimum Pension (GMP)—the equivalent Serps pension—accrued under the old scheme must be maintained. Spouse's pension provisions must be replicated.

There is, therefore, not the same flexibility with benefits as with a single premium self-employed pension contract.

The trustees of the old pension scheme are responsible for investing in a buy-out annuity on instructions from the employee. But they have to check that the benefits under the buy-out conform with their scheme.

Until recently the Inland Revenue was fairly relaxed on this score. Now it is tighten*ing up on the trustees' respon*sibilities. While Social Services Secretary, Norman Fowler has been liberalising pensions, the revenue and the Occupational Pensions Board has been getting tougher.

Thus, employees lured into taking a buy-out by a salesman must expect some delay if the contract is not one that the trustees have already checked out with the life company.

However, employees have a wide choice of contract in which to invest their transfer money.

- A with-profit contract where there is a minimum level of guaranteed benefits that are increased each year with bonus additions.
- A deposit administration scheme which operates as a deposit account with interest, on a profit basis, added each year.
- A unit-linked contract where investment is made in units of the underlying funds, usually with switching facilities.

Each type of buy-out plan has its own risk and reward factor which employees need to understand when making their choice. In this respect, the quotations put out by life companies give no guidance whatever on risk and reward.

On a with-profits quotation the employee will be shown the expected cash sum at the retirement date assuming *current* bonus rates. The equivalent pension is shown using the life company's current annuity rates.

This practice of using current rates has come under increasing criticism, since life companies can only continue declaring such bonus rates if interest rates remain high and their investment departments can earn very high yields on the funds.

Since the choice of life company given by the salesmen is influenced to a greater or lesser extent by the bottom line figure in a quotation, it is a matter of great concern that the quotations are not misleading.

Unit-linked quotations illustrate benefits on given yield assumptions (usually 10 per cent and 12 per cent or 14 per cent)—rates that are standard among linked life companies irrespective of the underlying fund.

The current position on quotations and illustrations has been under review by the life assurance industry and has now been taken on by the Marketing of Investment Board Organising Committee (Miboc) as an essential part of advertising.

But until this august body reports, employees interested in, or being recommended, buy-out annuities need to look at quotations carefully and have them fully explained.

Making the least of CTT

John Edwards on a new way to keep the taxman at bay

A NEW kind of scheme to mitigate the amount of Capital Transfer Tax payable on death is being introduced by Sun Life Assurance. The company claims that its Flexible Transfer Trust, with discounted gift values, to be launched on February 3 is an advance on the popular PETA (Profit Endowment and Terminal Assurance) plans and much less liable to attack from the Inland Revenue.

The new Flexible Transfer Trust is a refinement on the Sun *Life's first CTT* mitigation scheme introduced in March, which aims to achieve two objects—a growth in the capital sum invested in a single-premium unit-linked bond held outside the estate, and the provision of "income" for the investor if required. However, this fails to provide an additional advantage, included in the PETA plans, of giving a discounted value of the sum invested for CTT assessment purposes.

The discount value is calculated by deducting, according to actuarial tables taking into account the age and sex of the investor, the likely amount of "income" to be paid out from the original fund. Thus, on investment of £10,000 made by a man aged 30 the discount based on a 5 per cent income being paid out would be nearly £9,000 in view of the reduced life expectancy.

It is this discounted figure that is used to decide the size of gift or transfer being made. Under existing legislation £3,000 a year can be given exempt of CTT; £67,000 in any 10-year period is charged at a nil rate of tax but included in a running total with any other gifts, and anything above £67,000 is charged at a rising rate of tax. It is, therefore, extremely useful to have a discounted value to reduce the size of the "gift" liable for taxation. So the demand for PETA policies has grown strongly and several companies have recently come in to challenge the market leader, Legal & General.

Sun Life believes, however, that the PETA plans are vulnerable to attack by the Inland Revenue at some time in the future because of their artificial structure—with the premium on the terminal assurance part being fixed too low and the value of the pure endowment being inflated.

It has, therefore, come up with a different arrangement. Under its plan, the investor takes out a special unit-linked investment bond on his own life. This is held in a trust, with the investor as a trustee. The trust provides for regular payments to the investor, through part surrender of the units in the bond every year at an agreed rate to provide "Income."

The level of surrenders, which can be an equal amount each year or rise by a certain percentage in line with the growth in value of the units, has to be agreed at the beginning and they continue while units are being allocated to the bond or until the death of the investor.

The remainder of the bond accumulates in value and is payable to the beneficiaries. However, the agreed surrenders discounts the value of the bond as a gift for CTT purposes on a scale similar to PETA plans, *agreed with the Capital Taxes* Office of the Inland Revenue.

The minimum amount that can be invested in the Flexible Transfer Trust, with discounted gift values, is £10,000. Other than to provide regular payment, the bond has no surrender value that consequently there is no liability to income tax on the death benefit. On the death of the investor the "beneficiaries fund" part of the trust equals 101 per cent of the bid value of the remaining units held and is payable free of CTT.

Meanwhile, the M & G Assurance announced this week that it was launching a PETA plan, which is describes as Preservation of Estates Through Assurance.

Mr Richard Cockcroft, managing director, said that the plan was entirely tax safe since the Capital Taxes Office made an agreed valuation at the time of the gift and the tax position on receiving income was also made clear in advance. Several thousand PETA plan policies had been sold successfully without being challenged by the Inland Revenue. The recent case, due to be heard by the Special Commissioners, which had attempted to exploit a special loophole, had in fact been settled using the discounted values applied for PETA plans and was no cause for concern.

NOT FOR the first time in its recent history, the London stockbroking firm James Capel has provoked, over the past fortnight, press comment about its future plans.

The 211-year-old firm, which announced in 1984 that it was being acquired by the Hong Kong and Shanghai Banking Corporation, excited fresh interest with the news that it was finalising an agreement to take a 20 per cent stake in Allied Provincial Securities, an amalgamation of five provincial brokers.

The move was seen in some quarters as a sign that James Capel would play a prominent part in a battle with other leading firms like Hoare Govett and Quilter Goodison for the attention of a "people's market" of small savers drawn into investing in equities by developments like the British Telecom *share* issue.

The reality may be rather different. Firms are selling themselves more aggressively,

Stockbrokers' services

'People's market' hots up

offering new services to attract greater numbers of private clients. But, at least initially, the extra business they are pitching for will probably still come from high net worth individuals who have become more discerning about where they place their savings.

Since the middle of last year, James Capel has gradually developed marketing activities aimed at expanding its list of 5,000 currently active private clients (the average portfolio size is about £120,000.) Two recent trial press advertisements drew 200 enquiries from the public. Marketing is likely to be stepped up in April.

But Mr Brian Tora, the firm's new business development executive, says that promotional work will be low key.

James Capel frequently tops league tables of the best City investment analysts, and will emphasise research expertise to appeal to potential customers for its discretionary management service, for which an investor turns over a portfolio for complete management by the firm. The minimum portfolio size has been cut from £100,000 to £20,000.

The firm's advisory service, for customers wanting to manage their own portfolio and also to get advice from a broker, will have a £100,000 investment minimum — though clients with as little as £500 to spare can invest in one of James Capel's three unit trusts.

Life insurance experts are also being recruited, to add to the firm's financial planning service

The limitation of increased marketing by brokers is that it will not alter the basic economics of investment (even if the Big Bang and the abolition of Stock Exchange minimum commissions next October dramatically cut the price of share transactions). According to Mr Paul Killick, head of private client services at Quilter Goodison, which has claimed successes with its new share shop in Debenham's London store, there will be no massive flood of investors into equities until

Brian Tora

there is a fall in real interest rates.

Hoare Govett, for instance, has added some 6,500 private clients to its books since 19[illegible] when it began marketing services like its no-frills Dealcall service for taking orders from investors over the telephone.

Nick Bunk[illegible]

A CHANCE to invest in commercial property, with a lot of financial help from the Government, is the idea behind the *Third Property Enterprises* Trust. The trust, which claims to be the only fund of its kind, takes advantage of the special tax incentives given for investing in the 25 enterprise zones under which 100 per cent capital allowances are given on buildings other than residential property.

Funds invested in the trust will be applied entirely to buying properties on which the 100 per cent capital allowance is available. Trust members receive their share of these allowances, making their investment deductible from their income for tax purposes. The net result is somewhat similar to a *Business Expansion Scheme*, although it operates very differently and is said to have some significant advantages.

Property Trusts

Tax-zoned to advantage

For example any refund of tax claimed by the investor is likely to be processed far more quickly, since the main qualifying feature is that the property is in an enterprise zone.

At the same time, the rental income, paid to investors on a quarterly basis, can be offset against interest paid on a loan taken out to finance the investment. So a high gearing can be achieved relatively cheaply.

It is essentially a long-term investment. Tax on the income *sheltered by the trust* will be deferred as long as the shares are retained. If this period exceeds 25 years the tax is avoided altogether. So the plan is for the trust to have a life of 25 years before the portfolio is sold and the proceeds returned to investors free of income tax although capital gains tax is payable. If the shares are disposed of earlier you face paying a balancing charge to the Inland Revenue based on your tax position at the time, which could work to your advantage if you have retired or moved abroad.

The initial property yield is expected to be between 6 and 6.5 per cent, equivalent to 15-16.25 per cent for a 60 per cent top rate taxpayer. After running costs, this would come down to between 12.25 to 13.5 per cent. The managers' fees are 6.5 per cent initially and 0.6 per cent annually of the trust fund. Total annual expenses, including fees, are estimated at £11 per £1,000 per share during the first five years.

Shares of £1,000 each will be issued, with a minimum investment of £5,000. Unlike the BES there is no limit on the amount qualifying for tax relief.

The issue is being underwritten by London & Edinburgh Trust (LET), one of the most active property development groups, which is the parent company of Property Enterprise Managers.

LET has agreed to underwrite sufficient shares to enable the trust to be formed and will also finance suitable investments that become available for the trust before the receipt of subscriptions, subject to a fee of 2 per cent payable by the developer. The offer will close on April 4 or when subscriptions received equal the [illegible] cost of qualifying properties to be purchased by the trust.

The first two Property Enterprise trusts launched since the company was formed in 1982 to promote the idea raised £3.25m—the first £0.5m and the second £2.75m. LET acquired Property Enterprise Managers in 1984 as part of its expansion programme into property-based financial services.

John Edwar[illegible]

• FINANCE & THE FAMILY •

John Edwards asks four companies to advise

A retiring portfolio

RETIREMENT can be traumatic, involving a whole change in lifestyle and the need to adjust your financial priorities. So we asked four separate companies to advise a reader who wrote recently, asking what to do when he retires in June at the age of 65.

"I would like your advice on how best to maximise an income from approximately £30,000 of our savings, allowing for inflation," the letter said. "Alternatively you may like to consider the whole of our investments.

"I should mention that we shall be spending about £5,000 on a new car, with money drawn from the building society.

"We live in our own house which is valued at about £48,000." A statement of investments, savings and projected income, enclosed with the letter, showed the following:

NATIONAL SAVINGS:

Issue	Date of redemption	Holding
14th	1983	1,000
19th	March 1985	3,000
	March 1986	7,000
23rd	1987	2,100
24th	1987	3,050
26th	1988	4,650
	1989	2,200
28th	1989	4,500
30th	1990	750
	Total	£28,250

SHARES:	
National Westminster Capital Trust	300 units
Save and Prosper UK Equity Fund	667 units
Save and Prosper Investment Trust (Insurance-redemption date 15.5.86)	4,146 units
British Telecom	500 shares
14½% 1994 Treasury stock—purchased 1980	£4,850
BUILDING SOCIETIES:	
Guardian	£5,000
Local societies (emergency funds)	£2,000
INSURANCES:	
Endowment insurance maturing 1986	£7,000
PENSIONS (self and wife):	
Occupational pensions	£4,500 per annum
DHSS—wife	£1,421 per annum
DHSS—self	£2,000 per annum
Anticipated lump sum on retirement	£7,000

THE FOUR experts we asked to advise the reader on his retirement financial strategy were London stockbrokers Greene & Co, personal finance advisers Noble Lowndes, insurance brokers and investment consultants Towry Law, and personal financial planners Marlowe Sachs. They were each given a copy of the letter (with the name deleted) and asked what they would do.

They all agreed on certain points—such as keeping the National Westminster Capital Trust and Save & Prosper UK equity fund holdings. Also redeeming the matured, and shortly to mature, National Savings certificates. Greene & Co recommended that the reader should not invest in any further issue of National Savings, for the time being at least, but Noble Lowndes suggested buying the third index-linked issue of National Savings certificates and Marlowe Sachs saw index-linked gilts as a foolproof way of maintaining capital in line with inflation over the next few years.

There was considerable divergence, however, on how the capital released by the sales and the expected lump sum should be used.

GREENE & CO suggested that since the reader requires an income it would be best to build a portfolio of investments made up of a mixture of short-to-medium British government stocks, and higher yielding leading equities.

Assuming there is £30,000 available for investment, it is suggested that some £10,000 should be put into five UK Government stocks providing a good spread of dividend income throughout the year.

These are Exchequer 10 per cent 1989 (dividend dates February/August); Treasury 8¼ 1987-90 (June/December); Treasury 10 per cent convertible 1990 (April/October); Treasury 10 per cent 1992 (February/August) and Treasury 10½ per cent 1992 (May/November).

These stocks complement the reader's existing holding of Treasury 14½ per cent 1994, but the company warn that this stock must not be allowed to run to redemption as there would be a reduction of about 25 per cent in capital value at that time.

Consideration should, therefore, be given to selling this stock around the time it becomes a "short."

The second £10,000 should be put into high-yielding equities with long-term growth prospects, although once again some delay before buying is recommended. These stocks are Britoil, Consolidated Gold Fields, Inchcape, Midland Bank and NEI.

The final £10,000 should be allocated to other high-yielding stocks, but with good recovery potential and more aggressive senior management. The shares selected in this category are BPCC, Commercial Union, Dalgety, Rothmans and Shell.

MARLOWE SACHS said it was reluctant to make too firm recommendations without knowing some additional facts—the age of the reader's wife, what level of income they are seeking and whether they are trying to protect capital for themselves or beneficiaries.

However their initial response is to assume, bearing in mind the joint pension entitlement of £7,900, that they want to maximise tax-free income today and make arrangements to achieve capital growth for the future.

So it is suggested, that the reader should use his matured National Savings as income for the next two to three years, put aside a "rainy day" fund in a building society and invest the remaining £40,000 to produce capital growth.

To achieve this mixture of index - linked gilts, and a general managed unit trust or linked investment bond could be used. Index-linked gilts, while not attracting much attention during a period of falling inflation rates, provide a foolproof guarantee of maintaining capital at a time when inflation might well rise again.

A well-chosen unit trust portfolio will, with the limited amount of capital available, allow for the planning of investments to produce annual realised capital gains to support income up to the tax-free capital gains allowance of £5,900 a year.

NOBLE LOWNDES was also worried that it did not have sufficient information to make firm recommendations, but made certain assumptions in deciding on its investment strategy.

It said only £2,000 should be retained in the local building society, preferably in one "instant access" account. Regarding the endowment-insurance policy, maturing this year, it assumed that there would be an option to convert to a "qualifying re-investment bond."

On National Savings, Noble Lowndes points out that from March all the 19th issue holdings will carry the common interest rate of 8.52 per cent annually added quarterly. It suggests that at the end of each quarter a number of certificates should be encashed to produce an amount of "income" equal to the interest added in that quarter.

If, at maturity, the certificates are worth £10,000 this will produce, at present rates, a tax-free "income" of £852 a year without reducing the capital value. It is recommended that the other National Savings certificates be held until they too become subject to the common interest rate.

The company says the British Telecom shares should be sold, for say £970, since they will attract no further vouchers. With the disposal of the Treasury stocks, standing at above redemption value for £5,950, encashment of the Save & Prosper policy £3,100 and lump sum payment £7,000, there will be £17,000 available for investment. Of this £10,000 should be invested in an insurance company "income plan" to provide a full return of capital in 10 years combined with a net income of 7.2 per cent a year.

The balance of £7,020 would be invested in the 3rd index-linked issue of National Savings, with the units being encashed to provide income in line with the interest added.

The total capital of £55,970 invested would give a total net income of £10,000 a year with substantial scope for increasing that income now or in the future.

TOWRY LAW estimated that the reader's total portfolio appears to be something like £65,100. The shares are valued at £11,659. It suggests redirecting the liquid funds of £14,000 arising from the lump sum payment and encashment of the endowment policy into an annuity-linked endowment policy designed to generate a high level of after-tax income while maintaining the capital value.

The proceeds of £17,300 from the encashment of maturing National Savings should be reinvested in a range of high income unit trusts—arising from the lump sum payment and encashment of the endowment policy.

Towry Law also thinks that the reader should give some consideration to Capital Transfer Tax. If the present value of the house and contents (say £60,000) is added to the investments, the liability to CTT would be over £19,000 on a total estate of £125,000. Although payment could be deferred until the second death, the eventual liability might be still greater.

So the company suggests part of the capital funds might be invested in the type of CTT mitigation plan, offered by Legal & General, whereby an on-going "income" of as much as 10 per cent in net terms can be taken while providing freedom from CTT on both the initial sum invested and all future appreciation.

A slice of life

"YOU WORRY me," Kaplan said. "You're starting to believe in your own legend. I warned you about that a long time ago. You can no longer distinguish between what the media is writing about you and reality—and that, my young friend, is the short road to wipe-out!"

Kaplan, the mentor, is addressing Adnan Walid, fictional hero in Mahmud Sipra's factional novel Pawn to King Three, published last week.

What gives the book (and this will no doubt not harm its sales) a wider interest is that its author is a real life leading character in one of 1984-85s grand City dramas, the collapse and rescue of Johnson Matthey Bankers.

The Pakistan-born entrepreneur was the leading debtor of JMB when in September 1984 it was saved from total collapse by the Bank of England in a $250m rescue operation.

Sipra's El Saeed shipping and film group owed the bank some £70m at this time. Only about half of this money has been recovered and Sipra has repeatedly told the media that he blames his group's fall on the perfidity of bankers and others. Apparently he has failed to take his characters' injunction to heart.

The publicity blurb for the book compares Sipra as an author with Jeffrey Archer (a comparison the FT has never made—book promoters please note). The dust jacket speaks of him as a "contemporary definition of a polymath" who has weathered the storm of JMB's collapse (and his own?) "with characteristic dignity and panache."

It was this well known panache that was very much to the fore when the author handed me an advance copy of P-K3 last October. With a great flourish he said "Read this and you will understand everything," adding "it's about me and my life.

"The little boy in the train massacre, that was me. The trouble with the bank—well, of course you know all about that . . ." A few days afterwards he had disappeared from the UK—only to show up months later back home in Pakistan.

Those who buy the book in the hope of "understanding it all" will be a little disappointed. While it is a racey tale of intrigue which is revealing as to its author's fantastical view of the world, it is not an autobiography.

Yet in parts its run close to real events. Adnan—for love and money—pits himself against two powerful aristocratic Pakistani families—the Alis and the Husseins—in a classical new blood versus old money tale much loved in the subcontinent's cinemas.

In real life, Sipra battled personally and commercially with his in-laws from the Imam family (Ali and Hussein being two of the Imams according to Islamic tradition). As well as being Sipra's rivals, the Imam brothers were the second largest debtors of JMB, owing $37m when the bank was rescued.

Larger than life is a phrase that often comes to mind when reading P-K3. Everyone is grand. The hero's corporate lawyer is not only brilliant but also a glamorous woman (what could be more glamorous than a one-time Miss California?); the aides are loyal unto death and their Mickey Spillainish dialogue reflects this. Over them all towers Adnan, greater than the sum of their parts.

If only it were so in life Mahmud Sipra must be asking now. His business affairs are in ruins; the ships sequestered by port authorities to cover unpaid fees; the police have raided his two London homes as part of their inquiries; court cases are pending in several jurisdictions; liquidators are chasing after him: and small debtors hang forlornly round the doorstep of his vacant London house in the hope of hearing some news.

Even the house in Chester Terrace (in the book "the imposing Nash residence" of the head of the Ali family) which was wrung out of the Bank of England in the course of the famous "daft" negotiations will soon be put up for sale by the building society as the mortgage has been defaulted on.

Obliged by such circumstances to stay out of the UK "on advice from my lawyers" is not a part for Adnan to play—the fictional hero is invulnerable to all but the assassin's bullet (and then only on the second attempt).

In self-imposed exile from the UK "while investigations continue," Sipra remains adamant as to his harsh treatment by JMB and its Bank of England rescuers. "Why me?" is a constant refrain.

Unlike his fictional alter ego Adnan, the real man has no presidential candidacy in Pakistan to go back to. And at the very end no assasins' bullet to bring the tale to a tidy conclusion. Unless of course it is the pens of the accountants that are performing that same task today.

Is it a good book? Literature it isn't, but the airport and railway bookstalls should do a good trade. Originally envisaged as a film—Sipra's first love has always been the celluloid world, both in front of and behind the camera—it has an undeniable pace that should help fend off the onset of jet-lag.


Mahmud Sipra

The news that a second work, The Privy Purse, is underway and that a second printing of the Pawn seems certain will no doubt encourage the author. But then that has never been the problem, only the lack of a Kaplan.

Pawn to King Three, Rainbow/Michael Joseph, £9.95. 271 pages.

Terry Povey

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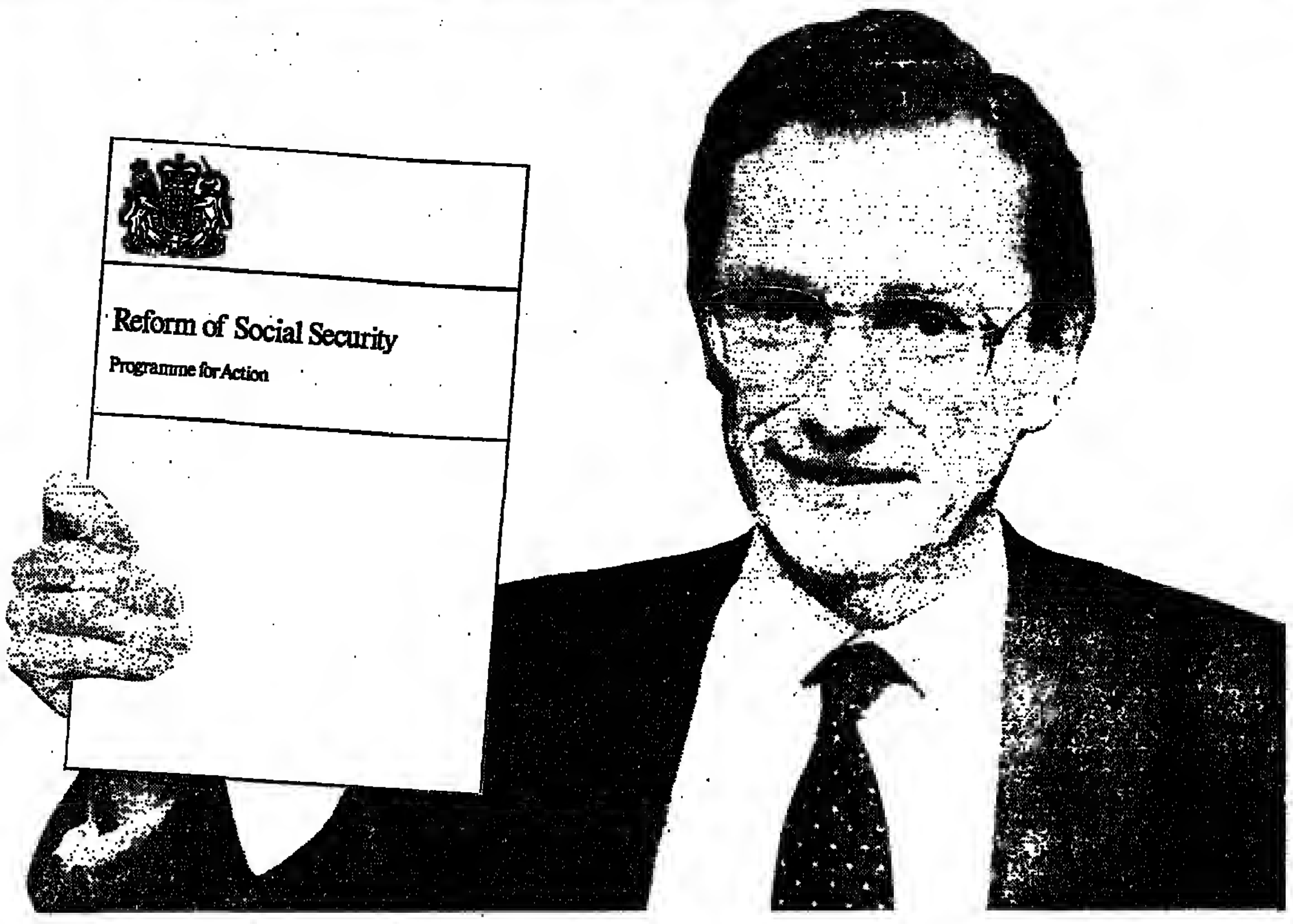
Personal Pensions

The Government is proposing to reduce state involvement in providing pensions, while increasing the role played by the private sector. Emphasis is also being placed on encouraging employees to make personal pension provisions.



Mr Norman Fowler, Health and Social Services Secretary, with the Government's White Paper on Reform of Social Security

Era of greater choice

By Eric Short

A NEW pensions era affecting future generations of employees is being ushered in by the 1986 Social Security Bill, introduced into Parliament last month by Social Services Secretary, Mr Norman Fowler.

The legislation is the culmination of more than two years of discussion and consultation by Mr Fowler, as he looked into the whole pensions framework in the UK.

The central theme of this discussion has been to reduce the role of the State in providing pensions, and to expand the private pension sector, with particular emphasis on employees having their own personal pension.

However, throughout the discussion—which produced in succession a Blue Paper, a Green Paper and finally a White Paper—the main theme has been just how far privatisation should be taken, and how to achieve the changes, rather than a consideration of the overall principles involved.

The move to the privatisation of pensions has been constrained only by administrative conditions and the need to avoid disruption of the pension expectations of older employees, as against any consideration of the best means of providing pensions.

The Government in its Green Paper published last June, wanted to end the State Earnings-Related Pension Scheme (Serps) and confine the role of the State to the provision of a basic flat-rate pension.

Time and again, Mr Fowler, put forward, as a reason for ending Serps, the expected rising costs of the scheme in the next century. He claimed that it would impose a cost burden that was unsupportable by future generations, though figures backing his assertion were somewhat sparse.

Now those estimates of cost are available. There was a report from the Government Actuary, Mr Edward Johnston, accompanying the publication of the Bill. It set out cost implications in great detail on varying assumptions. There is little doubt that costs will rise substantially. But whether they are unsupportable is debatable. The case is by no means as clear cut as Mr Fowler has asserted.

However, in the face of overwhelming opposition to the proposed ending of Serps—both on principle and administrative grounds—Mr Fowler has pulled back from the Green Paper and compromised, with a radical modification of the scheme.

The details of the modifications were set out in the White Paper and included in the Bill. It is clear that the proposed changes will result in a substantial reduction of the overall pension provided by the state, particularly for employees with broken career records.

The level and pattern of reductions is not, as yet, clear. The examples shown in the White Paper to illustrate the effects are not very helpful. But the least affected employee on constant earnings would see a 20 per cent cut in his Serps pension.

Despite the extent of their consultations, Mr Fowler and his enquiry team still viewed pensions on the premise that employees only qualify for pensions while working, and that time out of work does not count towards the pension.

The pensions industry still overlooks the growing likelihood that employment patterns in future will be far from continuous and that a pensions policy for the next century must take interrupted employment patterns into account.

Serps made a start towards this by basing pensions on the best 20 years of a working life. The main modification to Serps is to base the pension on the whole working life, with exceptions for those women who leave work to look after disabled relatives.

Despite Mr Fowler's warnings on costs, the pensions provided by Serps could not be regarded as generous. For anyone earning above the national average the basic Serps pension was still far from adequate. They will be even less so with the changes to be made.

The Green Paper would have forced companies to set up their own pension scheme to replace Serps. Now this is voluntary. An employer without a pension scheme still need not make any provision for his employees.

In the last resort, an employee wanting to ensure an adequate income in retirement must make his own arrangements. Here lies the central theme of the Government's policy as embodied in the Bill.

This gives every employee the right to opt out of his or her company pension scheme and/or Serps, and make his own pension provision through a personal pension arrangement.

The Bill sets out a minimum pension contribution for a personal pension contract equal to the joint employee/employer rebate on National Insurance (NI) contributions for opting out (known as contracting-out) of Serps.

Thus employees will be forced to contribute to an employee's personal pension contract at this NI rebate level. But contribution payments above this minimum level by both the employee and the employer will be on a voluntary basis.

This survey describes, as far as is possible, how the new personal pensions for employees will operate. However, beyond stating that the contributions will be eligible for tax relief, no other tax details are available. We await the Chancellor of the Exchequer, Mr Nigel Lawson to set out the tax framework for personal pensions.

The original thinking behind personal pensions was that it would be an ideal route towards encouraging employees having their own pensions investment portfolio to go alongside owning their own home — a dual concept close to the heart of the present Government's philosophy.

The Bill does end the current monopoly of life companies in offering individual pension contracts to the public. Now banks, building societies and unit trusts can offer the savings element of personal pensions. However, the initial Blue Paper envisaged stockbrokers offering personal pensions, that is advising individuals on holding their own portfolio.

This concept was dropped at the Green Paper stage. Stockbrokers showed very little reaction to the proposal. More importantly, the Government realised that investments can go wrong and if an employee mismanages his pension savings it would be the social security system that would have to ensure an adequate pension.

So while Mr Fowler is giving employees a wider choice of institutions with which to invest their pension savings, he is also imposing investment restrictions on those institutions. The employee will not be allowed to put all his pension contributions in high risk, high reward unit trusts—but again we await the actual details.

Nevertheless, Mr Fowler accepts that, at least for the

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Government Plans

Radical changes seek to increase flexibility

THE present Government has adopted a sympathetic attitude towards pressure, building up in several influential quarters, for more flexible personal pensions.

The concept of people becoming more closely involved with planning their own financial future is in line with the general Conservative Party philosophy of encouraging private enterprise and greater share ownership.

Initial plans to reduce Government involvement sharply by phasing out the State Earnings-Related Pension Scheme (Serps) have had to be watered down following the outcry against the original Green Paper proposals, not only from the opposition political parties but also from the pensions industry itself.

Nevertheless, the revised plans in the White Paper on Social Security reform issued at the end of December still incorporate some very radical changes and strong backing for the move towards personal pensions.

There are three major changes proposed. One is that the benefits under Serps will be considerably reduced. Those retiring before the year 2000 are not affected. But those retiring after that date will pay less and receive less.

From the end of the century the Serpa pension will be based on only 20 per cent of average earnings over a lifetime, instead of the existing arrangement where 25 per cent is paid based on average earnings for the best (highest) earnings over 20 years.

It is estimated this will cut the basic Serps pension by at least 20 per cent, which will inevitably put pressure on employees relying on the state scheme either to contract out or try and supplement their pension privately.

Under the original proposals Serps would have disappeared completely, so the Government has been forced into a considerable climbdown. Yet it is still likely to be the most contentious issue as the Bill goes through Parliament, for it reflects most sharply the differing approaches of the political parties.

The second main proposal in the White Paper is to make it easier for employers to set up their own pension schemes, contracted out of Serps. This will further undermine the weakened state scheme.

The third, and most far-reaching, proposal is that all employees should have the right to opt out both from Serps and their company schemes as well, by making their own personal pension arrangements instead.

The net effect of these proposals, if the planned Bill gets through Parliament, roughly on the lines laid down in the White Paper, is that the existing responsibility of both the Government and employers for providing pensions will bs sharply redneced.

Instead individuals will be encouraged to move over to personal pensions, with some help and protection from the Government.

For a start it is planned that the choice of personal pensions available will be considerably widened by allowing banks, building societies and unit trusts to compete in this sector with the life companies.

The Bill will also include measures aimed at ensuring individuals are not given poor or misleading information when buying personal pensions; in particular trying to make certain that they are not gulled into paying excessive charges or costs.

At the same time arrangements will be made for the rebate on National Insurance contributions — payable on contracting out of Serps — to be paid over by employers to the company or institution supplying the personal pension.

The minimum contribution to a personal pension plan will be fixed at the level of this National Insurance rebate, which has not yet been decided, but is expected to be about 5.75 per cent of salary up to a maximum figure.

An additional advantage of the envisaged personal schemes will be that part of the pension earned, over and above the minimum, can be commuted and taken as a lump sum. This will leave the door open for personal pensions schemes generally to be linked with the repayment of home mortgages, just as self-employed contracts are nsed at the moment to take advantags of the tax savings achieved by this method.

These changes, if the White Paper proposals get through Parliament reasonably unscathed, are not due to become law until April 1988, by which tims there will have been a General Election intervening that might result in a new Government with very different ideas.

Nevertheless, a significant start in introducing more freedom into pensions, and accelerating the trend towards personal schemes, has already been taken with the 1985 Social Security Act.

Effective from January 1 this year, the 1985 Act offers a new deal for employees changing jobs. It was mounting criticism from "early leavers," infuriated and angry at being locked into pension schemes eroded by inflation as the years went by, that put pressure on the Government to take a fresh view.

Job changers now have more choices. Instead of being forced to remain in the previous employers' scheme, they can either take a transfer payment, instead of a deferred pension, and use it to buy rights in their new employer's scheme. Or they can use the transfer payment from the old scheme to by a special Section 32 buy-out annuity from a life company. Effectively a form of personal pension.

John Edwards

Mrs Margaret Thatcher, the Prime Minister and Mr Nigel Lawson, Chancellor of the Exchequer. The concept of people becoming more closely involved with planning their own financial future is in line with the Government's philosophy of encouraging private enterprise and greater share ownership

An era of greater choice ushered in

CONTINUED FROM PAGE ONE

time being, many employees will look to their employer for pension provision. In addition, he wants employees to get the best pension deal from industry and regional wide schemes to avoid any problems of transferring pension rights on change of job. The Bill contains two measures to encourage this development.

First, it greatly simplifies the conditions under which a company scheme opts out of Serps. Schemes need only fulfil a straightforward contribution test, a change that is all to the good.

Under the present system only company schemes that define the benefits in terms of final or career average salary can contract out. Now the Government allows money purchase schemes, where the ultimate pension depends on the amount of pension savings accumulated, to contract out.

Mr Fowler makea no attempt to disguise the fact that the Government wants to encourage *employers to switch from final* salary schemes, with their open-ended financial commitment, to money purchase, where the amount of contribution is known.

The second encouragement in the Bill is the proposed payment of a 2 per cent extra contribution during a five-year period from April 1988—the start of the new arrangements—for all new company schemes and personal pensions.

The money will come from the NI fund—that means that good employers with existing schemes will be subsidiaing those employers who have done nothing till now.

The pensions industry is extremely concerned over this, and over the actual rebate which is a fixed amount—expected to be 5¾ per cent—for all employees. This is generous to younger employees and inadequate for older employees.

The Green Paper envisaged a changeover to the new system in April 1987—to be operating before the next General Election. This timetable was described as suicidal, so it has been put back a year to April 1988. That is after the likely date of the next election. A Labour Government has pledged to restore Serps and not to implement personal pensions.

Additional Voluntary Contributions

Taking steps only part way down the road

UNTIL NOW the clumsily named Additional Voluntary Contributions (AVCs for short) sometimes paid by members of occupational pension schemes have been doubly voluntary, being optional not only for scheme members but also for the schemes themselves.

Under Clause 11, the Social Security Bill now, however, provides that scheme members should have the right to pay extra contributions up to the limit laid down by the Inland Revenue, and that such contributions must be used by the trustees to provide additional benefits for the particular individuals involved.

This takes the principle of AVCs a little further, but not nearly as far as many in the pensions industry had advocated during the elaborate process of consultation that preceded the legislation now launched by the Government.

It was widely agreed that AVCs represented a relatively simple and painless way to add a personal element to the collective system represented by occupational pension schemes. But to be a more satisfactory medium of individnal investment, AVCs need to be given the extra features of guaranteed portability and choice of investment. These attributes do not at present feature in the proposals.

In this respect, the Government has notably failed to go down the road pioneered by the US, where tax-sheltered Individual Retirement Accounts may be maintained by all employees separately from their company plans. And in fact there is another, more precise, parallel in the US, where companies may sponsor so-called 401(K) plans for their employees.

Thsse 401(K) plans have come under threat from a US Government troubled by its fiscal deficit, and the need to protect tax revenues is presumably the reason why the British Government is not being more enthusiastic in encouraging British employees to exploit the tax advantages of pension contributions to the maximum.

The scope for AVCs arises because employees making regular contributions into company plans rarely, if ever, approach the Inland Revenue's limits for contributions — 15 per cent of salary — or for eventual benefits.

It is generally known that pension payments are limited to two-thirds of final salary, but this only forms part of a more complex package of potential benefits. Other elementa include a tax-free lump sum, a widow's pension and provision for increases in pensions in payment.

Nor are benefits entirely limited to those collectable at or after retirement age. For younger people there is the possibility of tonning up death-in-service benefits where the company scheme does not offer the limit of four times salary. This can be an attractive way of obtaining extra life cover, especially for employees paying high marginal rates of tax.

The inflexibility of AVCs otherwise makes this a relatively unattractive way of saving for young people. AVCs are subject to the problems of transferability between schemes when employees change jobs, and the money is firmly locked up until retirement age, a severe disadvantage for people who might want to buy houses or invest in businesses.

With advancing years, however, AVCs can come into their own. People in their 50s may well have surplus disposable income, and be subject to high tax rates. Moreover, comparatively few people will have served long enough with a single employer to accumulate the full number of years of service to qualify for a maximum pension — commonly 40 years.

So additional contributions are valuable as a means to make up for the losses caused by job mobility earlier in life, or perhaps to make retirement a more attractive possibility financially at 60 rather than 65.

But AVC schemes are inevitably inflexible, and it seems a pity that more is not being done by the Government to ensure that a greater degree of choice is availabla to all employees. Many of them seem likely to be confronted with a take-it-or-leave-it approach by their pension scheme managars.

The mechanism of AVC schemes is that the extra contribntinns have to be paid over to the trustees along with the normal pension deductions. As a matter of convenience, the AVCs are then diverted into a separate fund — but one still under the control of the trustees.

Generally speaking, the money is then invested in one of three ways. It may be put into conventional with-profit life assurance funds, so that the eventual payont will depend upon declared bonuses. It may be invested in building society accounts, on special favourable terms which some societies are willing to pay for stable, long-term money such as this. Or thirdly, in a relatively new development, it may be put into unit-linked schemes.

But it is entirely up to the trustees to decide which of these facilities to offer. All AVC facilities are administratively inconvenient for the pension scheme. So only a few large, enlightened schemes offer a full range of the threa choices — and even then, the individual scheme member has no way of channelling his AVCs to his favourite life assurance company or unit trust group.

But perhaps the ingenuity and salesmanship which is plentiful within the savings industry will break through the barriers and create new opportunities. Recently, for instance, tha top merchant bank Kleinwort Benson has launched a pension-mortgaga scheme based upon AVCs, an arrangement which amounts to a highly tax efficient package.

Barry Riley

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WEEKEND FT REPORT 4

Existing Executive Arrangements

Numerous options available

EVER since the Chancellor of the Exchequer, Mr Nigel Lawson, suddenly removed tax relief from new life assurance contracts in his 1984 Budget, the marketing activity of life companies has shifted, principally to two other areas.

One is unit trusts and the other individual pensions, under which fall executive pension contracts.

An executive pension contract, sometimes called an individual pension arrangement or top hat scheme, is one under which approval from the Inland Revenue is necessary under the Finance Act 1970.

The Act specifies that the employer has to make contributions to the plan and these contributions must represent more than a token amount. Contributions are allowable against the employer's corporation tax liability.

There is no legal requirement on the employee (whether or not that person is a controlling director) to make contributions to the plan, but if he or she does so, tax relief can be claimed at the top rate—up to 60 per cent—on contributions of up to 15 per cent of Schedule E earnings.

In addition to salary, such earnings include directors' fees, benefits in kind, bonuses, overtime and commission payments.

Apart from the tax breaks at the pay-in end of the process, all contributions paid into an executive pension plan are completely free of all tax on income from investments and deposits, and free of capital gains tax.

So far as the pension itself is concerned, this can be as much as two-thirds of final salary provided at least 10 years' service has been completed.

Shorter service periods result in a progressively scaled-down pension.

Apart from the pension itself, an executive plan provides the option of a tax-free lump sum at retirement. This can be as much as one-and-a-half times final remuneration for those who have notched up 20 years' service.

As with the scaled-down pension, there is a scale on which the maximum lump sum option is reduced according to length of service. So, for example, the maximum lump sum for someone with 10 years' service works out at 45 per cent of final salary.

There are various other wrinkles, such as death in service benefits and the possibility of loan facilities, which can turn an executive pension contract into a very flexible financial planning device.

The practical problem is one of choice. There is now a total of around 120 executive pension plans available from insurance companies in the UK. They each claim to be the most exciting, most relevant, most adaptable and so forth. So, how does one pick a way through all the marketing ploys?

Step number one is to decide how much risk, or volatility, you are prepared to accept. If you want good solid, middle-of-the-road performance, you will be inclined to opt for one of the 35 on the market with profit plans.

With profit plans guarantee a basic minimum benefit which is increased periodically (usually each year) by the addition of a reversionary bonus.

The rate of bonus declared may vary from time to time, but once a reversionary bonus attaches to a policy, it cannot be taken away. Most insurance companies which market with profit contracts also pay a so-called terminal bonus. This is added to the policy when the pension becomes payable on retirement.

Under the profit plans, the insurance company invests fund monies in a mixture of equities, gilts and property, according to its own assessment of market conditions. If you are looking for the potential of more exciting performance but are prepared to risk the downward movements as well as enjoy the upward ones then you are more likely to opt for one of the 60 or so unit-linked contracts.

Here it is the planholder who decides which fund he wants his money invested in. The choice of investment funds has widened considerably in recent years to include international investment opportunities, and there is a variety of funds investing in, for example, the US and the Far East.

The planholder can always switch from one fund to another if his initial choice does not measure up to expectations, but this can be a case of jumping from the frying pan into the fire. So, many unit-linked planholders opt for a broadly-based managed fund and let the investment managers take the investment strain.

In deciding which type of plan to opt for, it is wise to remember that the difference between the top-performing and bottom-performing unit-linked contracts is always greater than the equivalent range for with-profit contracts.

A full analysis of fund and insurance company performance is provided in the 1985-86 edition of the Executive Pensions handbook published by Financial Times Business Information.

There are also more than 20 so-called deposit administration plans on the market.

Deposit administration is an all-embracing term covering contracts ranging from those where the allocated interest rate is linked to a recommended and well-publicised yardstick, through to cash accumulation contracts where contributions are invested in a diverse portfolio of assets, and bonuses are declared each year in such a way that peaks and troughs of market conditions are smoothed out.

Whatever type of executive pension plan is chosen, it is common practice that if a member leaves the service of his present employer or the company is involved in a takeover or merger then the plan can be continued by the new employer or a transfer value can be paid.

Finally, it is not essential that an executive pension contract should be taken out with an insurance company. It is possible to set up a so-called self-administered scheme where the trustees themselves (usually the company's directors) decide the fund's investment policy, subject to certain requirements.

In such a case the advice of a consulting actuary will be needed.

Peter Gartland

Transferability

Job switching is no longer penalised

ONE CENTRAL purpose of the 1985 Social Security Act was to make it much easier for employees on changing jobs to take their accrued pension rights from their previous scheme with them.

From the beginning of the year, all job changers were given the right to a transfer payment in lieu of a deferred pension in the old scheme, though most large and medium size schemes have allowed such payments for some time.

The employee can either take the transfer payment to his new employer's scheme or he can invest it in a buy-out annuity from a life company. From April 1988, under provisions in the 1986 Social Security Bill, employees will also be able to invest transfer payments in a personal pension.

Life companies have been marketing buy-out annuities since the arrangements were formalised in Section 32 of the 1982 Finance Act. Employees changing jobs now have a wide choice of contracts from a number of life companies. A buy-out annuity has become an established product in the range of individual pensions.

A buy-out annuity is essentially a money purchase arrangement like all other individual pension contracts. The lump sum is invested in a tax-exempt fund and accumulated to the retirement date of the employee. There are a variety of plans available to employees.

- A non-profit contract which guarantees the benefits.
- A with-profits contract which has lower levels of guarantee, but with the opportunity for growth through the bonus element.
- A deposit administration plan, where the investment operates in a similar manner to a deposit account, with interest being added each year.
- A unit-linked plan, where the employee invests his transfer payment in units of one or more funds, with opportunities for switching between the funds.

However, there are certain restrictions on the benefits. The buy-out annuity is basically a substitute for a deferred pension in the previous employer's scheme. The benefits under the buyout must be of the same form.

To start with, this means that the retirement age at which the employee can draw the benefits is the age in the old pension scheme. The employee does not have the flexibility in timing of drawing his benefits.

Next, the buy-out annuity must preserve the Guaranteed Minimum Pension (GMP) — the benefits accrued in the company pension scheme equivalent to those in the State Earnings-Related Pension Scheme.

Any spouses's pension above GMP provided in the old scheme must be provided in a buy-out annuity.

It is the responsibility of the trustees of the old pension scheme to purchase a buy-out annuity on behalf of the employee who is changing jobs. They must ensure that the plan provides the benefits in the correct form.

Until recently, conditions were fairly relaxed on this score and trustees invested in the employee's choice with minimum scrutiny.

However, while the Social Services Secretary, Mr Norman Fowler, has been liberalising conditions for job-changers, the Inland Revenue has been tightening up on investment in buy-out annuities.

Trustees are being instructed by the Revenue to ensure that buy-out annuities conform to the benefits of the old scheme in fairly precise detail. So, in effect, each buy-out annuity has to tailor the benefits to a particular scheme.

Trustees are now reaching agreements with certain life companies for approval in advance of the benefits on buy-outs. The GMP liability is often either being covered with a non-profit plan or the trustees buy back into Serps.

Employees are being encouraged to take their buy-out from an approved list of life companies where the trustees know that the benefits are in approved form.

Mr Mark Weinberg, chairman of the Marketing of Investments Board Organising Committee, which is currently looking into life company quotations

The potential for buy-out annuity business is already great and growing fast with increasing job mobility of employees. More and more intermediaries are moving into this market, encouraging employees to take a transfer value when they change jobs and invest in a buy-out annuity.

Their selling methods using projections of benefits at retirement leave much to be desired. It is causing growing concern to pension fund managers.

As stated, the buy-out annuity is a money purchase arrangement. Life companies, in their quotations, start by showing the cash sum accumulated to retirement usually on high yield assumptions. This often produces very large sums looking like telephone numbers. Then the quotation shows the amount of pension this sum could buy, again producing an optimistic figure.

This quotation is then compared with the deferred pension under the old scheme.

The comparison is between apples and pears. The buy-out shows benefits in monetary values at retirement. The deferred pension is usually in today's money terms and likely to be revalued, at least partially in line with inflation.

Under today's investment conditions, with high real rates of return, a buy-out annuity where the employee gets the benefits of investment performance, is likely to provide higher benefits than a deferred pension. But the employee needs to be given information in a form that makes comparisons genuine in comparing like benefits.

Finally, the benefits at retirement on a buy-out annuity have to be aggregated with the benefits from any other company scheme. Under Revenue rules, an employee at retirement can only take a maximum of 1½ times his final earnings as a tax free lump sum.

The responsibility for checking benefits lies with the trustees of the pension scheme at the time of his retirement —or if there is not one, then with the trustees of the old scheme that made the transfer payment.

However, the benefits are paid by the life company to the individual at the time of his retirement. There could be problems if the individual fails to inform the trustees of the existence of a buy-out annuity.

Eric Short

Existing Self-Employed Schemes

Relief from injustice

"THE SELF-EMPLOYED already have access to personal pensions. They can take out insurance policies on favourable tax terms to provide them with an annuity on retirement (so-called 'S.226' policies). Many of them, especially later in life, already do so."

This statement was contained in Norman Fowler's Green Paper, a discussion document, presented last summer.

One of the main proposals of the original Green Paper was the abolition of the State Earnings Related Pension Scheme (Serps). In the event, Serps was not abolished but retained and amended. Unfortunately for the self-employed, however, this furore was of very limited interest, for they have never been entitled to any benefit under Serps, even though they were and still will be obliged to pay earnings related contributions. However, some relief from this injustice was given in S.42 of the 1985 Finance Act which provided that for 1985-86 onwards, half those contributions are to be deductible for income tax purposes.

The name, self-employed pensions, is the generic term for retirement annuity policies, written under S.226 of the Income and Corporation Taxes Act 1970. At present anyone who is self-employed, or a member of a partnership (professional or business) or who is an employee with no company pension scheme, is eligible to take out one of these policies.

The tax man gives generous encouragement for such people to do so: up to 17½ per cent of non-pensionable earnings may be contributed to one of these schemes (more if you were born before 1934) and full tax relief is given up to 60 per cent, depending on how much tax you pay on your earnings.

The contributions are invested by the life office in a pension fund which is completely free of all taxes, and when benefits are taken, part of the pension may be commuted for a completely tax-free cash lump sum. Under a self-employed pension, you do not have to retire to start drawing the benefit, as long as benefits begin to be drawn between ages 60 and 75.

However, the recent publication of the Social Security Bill has left open to question the future eligibility of people in non-pensionable employment to effect a self-employed policy. The original proposals in the Green Paper were that these people (estimated to be about 9m) would have some form of company pension scheme forced upon them with minimum contributions of 4 per cent per annum of earnings, with the employer paying at least 2 per cent.

The subsequent White Paper and Bill drew away from compulsion and instead offered incentives to employers and employees alike to effect pension schemes, principal among the incentives being an additional 2 per cent rebate in National Insurance contributions to be used to boost benefits of all new company pension schemes and personal pensions which contracted out of Serps between April 1988 and April 1993.

Originally it was intended that the employee in a job with no company pension scheme would have no choice between a personal pension and a self-employed pension — their only option would be a personal pension. Now however, the situation is not clear.

It will be up to the Inland Revenue to decide whether or not those in non-pensionable employment would have a choice between a S.226 policy and a personal pension. However, until the matter is resolved by the IR people in non-pensionable employment are still eligible for self-employed pensions and should not be deterred by this uncertainty from effecting a plan as soon as possible.

Jane Walford

Pension Mortgages

A home found for your money

THE ORIGINAL paper on personal, portable pensions from the Centre for Policy Studies envisaged an employee being able to use part of his pension savings to buy his house, which would then form part of his assets set aside from the pensions.

The final form of personal pensions as set out in the 1986 Social Security Bill has not followed this particular aspect and the subject of pensions and mortgages was never discussed in the various documents on the review of pensions.

Nevertheless, the use of a pension contract to pay off a mortgage—these schemes being known simply as pension mortgages—has developed rapidly over the past few years since it was introduced in the early 1980s.

The pension mortgage scheme was designed for the self-employed and became possible when the Inland Revenue gave its approval for loan backs to be made in conjunction with a self-employed pension contract.

The operation of the scheme is quite straightforward. A mortgage is granted on an interest-only basis, with interest being paid on the full mortgage until retirement age is reached (usually at age 60). The mortgage itself is then repaid from the cash commutation sum available on the pension contract.

Such a scheme is the most tax-efficient available for repaying a mortgage.

● First, the interest payments on the first £30,000 of the mortgage are eligible for full tax relief for a first home mortgage.

● Secondly, the contributions paid into the pension contract are eligible for full tax relief up to the limits set by the Inland Revenue. For the self-employed, the contribution limit for tax relief is 17.5 per cent of earnings, with higher limits for older people.

● Thirdly, investment in the underlying funds is exempt of tax.

● Finally, at retirement the self-employed can convert part of their pension which is subject to tax into a tax-free lump sum.

The scheme is still highly tax efficient even if tax relief on the interest payments is not available, such as on a second home, or only partially available because the mortgage exceeds £30,000.

The contribution level paid into the pension contract must be sufficient to ensure that the estimated cash sum at retirement, on conservative yield assumptions, is sufficient to cover the mortgage.

However, since about one quarter of the value of the pension contract can be taken in cash, then only one-quarter of the contributions paid is earmarked towards mortgage repayment, with the remainder going towards the pension.

The self-employed with a pension mortgage is using the contract for two purposes at the same time—repaying a mortgage and providing a pension.

An admirable concept, but it could impose cash flow problems. Thus a pension mortgage is likely to be more suitable for the older person.

The pension contract itself cannot be used as collateral for the mortgage, in the way that a life policy can be used as collateral on an endowment mortgage. The house itself is the collateral. Life cover is usually required during the term of the mortgage.

Pension mortgages for the self-employed received a considerable boost when Mr Nigel Lawson, the Chancellor of the Exchequer, ended life assurance premium relief nearly two years ago—this cutting back the cost effectiveness of endowment mortgages.

However, until recently, there were very few facilities for employees, other than controlling directors and executives, to avail themselves of pension mortgage schemes.

There would appear to be no reason why employees, who are members of company pension schemes, should not have such pension mortgage facilities. They all have available a tax-free cash sum at retirement similar to that for the self-employed.

The main fear of building societies in making pension mortgage facilities available for employees is that by and large they have little control over their working and pension arrangements in the same manner as the self-employed or controlling directors and executives.

This situation could change with the introduction of personal pensions as envisaged in the 1986 Social Security Bill.

The benefits secured by the minimum contribution (expected to be 5¾ per cent of earnings) on a personal pension are intended to be equivalent to the benefits on the state earnings-related pension scheme. Thus there will not be a lump sum available on retirement.

However, it is expected that the benefits secured by extra contributions to a personal pension will be similar to those on a self-employed contract with the option of converting part of the pension at retirement into a tax-free cash sum.

Full details on the tax position of personal pensions are awaited from the Treasury. Everyone hopes that Mr Lawson will end the uncertainty in his forthcoming budget.

But if tax-free lump sums are allowed, then pension mortgage schemes will become available to employees with personal pensions, provided they are prepared to put in the necessary additional contributions above the minimum and/or persuade their employer to contribute extra.

Certain stockbrokers are predicting a boom in pension mortgages with the advent of personal pensions. If this does happen, then one can depict a scenario where employees out out of their company pension scheme solely to obtain a pension mortgage.

The AVC mortgage is just beginning to come on the scene and operates in a somewhat different manner. The employee gets an interest only mortgage and has to take out an AVC scheme of sufficiently large amount to cover the mortgage.

Here the differences arise. Technically the benefits secured by AVC's are aggregated with the main company pension benefits, even if the AVC scheme itself is with a life company or building society. The maximum lump sum available is 1½ times the employee's final salary and this can come from the main company scheme.

However, it is assumed that an employee with an AVC scheme separate from the main company pension scheme has some control over the outcome. And life companies are not going to market pension mortgages to employees unless there is some new business as a result.

The provisions in the current Bill regarding AVC's are disappointing. The pension industry was unanimous in seeking AVC's to become personal with an employee being able to make his own arrangements—that is a personal pension on top of the company scheme. Instead the Bill simply requires schemes to make an AVC facility available.

I foresee, however, employers making pension mortgages with building societies or banks available to their employees with repayment from the tax-free lump sum. Otherwise they could see employees being out of the company scheme to get a mortgage.

The whole concept of pension mortgages hinges on the tax-free lump sum. Last year, there were fears that the Chancellor would change the framework of pensions tax and end the tax-free element. This did not happen and Mr Lawson pledged that there would be a Green Paper on the subject before any legislation. This effectively rules out any chances in the lifetime of this parliament.

Pension mortgages are going to expand.

Eric Short

Investor Protection

Need to keep up guard recognised

WHEREAS COMPANY pension schemes rely on several sources of independent professional advice — such as actuaries, solicitors and employment benefit consultants—it is more difficult for the individual buying a personal pension plan to obtain advice of the right quality.

Normally he has to place his trust in an insurance broker or salesman, and will have no way of knowing whether he is being sold the right kind of policy. Typically, there will be a lot of emphasis on the tax being saved, but the size of the ultimate benefits may not be very clearly stated.

This is by no means a new problem, but the growth of the personal pensions business has made it more important — and the Government has accepted that in encouraging still further expansion in individual provision for old age it must ensure that investor protection standards are raised in parallel.

It should be pointed out, however, that the worst form of abuse—a swindler running off with his client's money — has fortunately not been a feature of the personal pensions scene. This is largely because pension plans have been kept as a monopoly of the tightly-controlled life assurance industry.

Life companies are not always efficient, but they are clean. In removing the industry's monopoly the Government will have to be sure that standards will stay high in this respect.

There are, however, two areas of concern. One concerns the role of the intermediaries who sell policies. At present, anybody can sell pension plans without any need to demonstrate his qualifications for operating in such a complex field. Moreover, there is a very poor level of disclosure of commissions and other sales charges which is leading to concern that investors are not getting a good enough deal.

The other problem area is at company level, with the widespread production of promotional material whose claims about future benefits are unstandardised and often confusing to the layman. Here, too, the disclosure of costs is usually poor, if not non-existent.

The Government is focusing on these problems through two separate legislative measures. On the one hand, the Department of Health and Social Security is promoting laws relating specifically to pension plans, and it is putting forward the Occupational Pensions Board as the agency for watching over standards in this particular field.

Meanwhile, however, the broader questions of investor protection are the responsibility of the Department of Trade and Industry which is sponsoring the Financial Services Bill. At one time a specialist body called the Marketing of Investments Board was to have been established to supervise the marketing of pooled products such as life policies, pension plans and unit trusts.

It now appears, however, that this body will not be separately established but will form part of a bigger watchdog agency covering all the securities and investment markets. For the time being, however, an embryo MIB called the Marketing of Investments Board Organising Committee (MIBOC) continues to exist, under the chairmanship of Mr Mark Weinberg of Allied Dunbar.

MIBOC is now engaged in intensive negotiations to establish specialised self-regulatory organisations which will be expected to draw up rule-books for practitioners in the savings industry and monitor their observance in practice. There will be disciplinary procedures for punishing transgressors.

For example, investors may need to become aware of the existence of a body tentatively called Lutiro (Life and Unit Trust Intermediaries Regulatory Organisation) which among other activities will set tests to decide whether salesmen are properly qualified to sell, for example, personal pension plans.

Another body, with the provisional title of Lautro (Life and Unit Trust Regulatory Organisation) will be responsible for the companies. Working parties are being established to draw up rules in areas like the projection of benefits, and the way in which commissions should be disclosed.

With projections, the problem has typically been that extrapolation of recent investment returns into the future can give an enticing but wholly unrealistic idea of possible benefits in 20 or 25 years' time. This is particularly so when the calculations are based on high implicit inflation rates, but the benefits in the distant future are compared directly with prices and costs expressed in terms of today's money. Moreover, investment returns in the past decade have been unsustainably high, and projections must take account of this.

This is tricky enough, but there is even more at stake with disclosure of commissions, a measure which is strongly resisted in the life industry because of fears that investors would be put off buying products such as pension plans if they were made aware of the size of the deductions.

Commissions on sales are only part of the costs involved in savings plans, however. The management companies also impose substantial charges. It has been estimated that the total charges involved in a personal pension plan are equivalent on average to the deduction of 20 per cent of the premiums as they are paid.

The DHSS appears keen to take action in this area. The Social Security Bill indicates that limits may be imposed on commissions or administrative expenses or on the use of payments "in any other way which does not result in the provision of benefits for or in respect of members."

There is also the question of the risks in investment. The Government has talked, without being specific, of "prudent investment standards" and the implication is that investors, or their advisers, will not be allowed to gamble away personal pension funds in the futures markets or on highly speculative business projects.

Although, as in other aspects of investor protection the Government has indicated that it wishes to take a firm line, the details are far from clear at this stage. In any case, the Social Security Bill and the Financial Services Bill are two substantial pieces of legislation to be going through parliament at a time of political uncertainty, and the final shape of the law cannot yet be taken for granted.

From the point of view of personal pension plans, much will depend on the detailed rules to be laid down in the future by the OPB and by the yet-to-be-named successor body to the Securities and Investments Board.

Barry Riley

Effects on Employers

Doubt over proposals

MR NORMAN FOWLER, the Social Services Secretary, has maintained throughout the period of his review on pensions that he strongly supported occupational pensions and that the Government's policy was to continue to foster and encourage company pension schemes.

Employers may well take a different view now that the Government's intentions have been crystallised in the 1986 Social Security Bill published last month. Some pension consultants are extremely doubtful about the proposals and feel that they could have a detrimental effect on existing company pension arrangements.

For those employers at present without any company pension scheme, the Bill does set out to encourage them to make such arrangements.

First, the proposals will make contracting-out of the State Earnings-Related Pension Scheme (Serps) much easier.

Secondly, there is a direct financial incentive of an extra 2 per cent National Insurance contribution rebate during the five years from April 1988 on all pension schemes set up during the next few years.

However, the reaction of those employers without pension arrangements to these proposals will most likely depend on the basic reasons why they have not made such arrangements in the past.

An employer currently wishing to make pension arrangements for his employees outside of Serps has to set up a scheme based on final salary or averaged revalued salary. These defined-benefit schemes involve the employer taking on an open-ended financial commitment, and the administration procedures for contracting-out are extremely complex and time consuming. Many employers used these features as reasons (perhaps excuses) for not doing anything.

Employers could operate pension schemes on top of Serps, but for many this action has been regarded as too costly.

The new arrangements in the Bill avoid both these problems. In future company pension schemes set up on a money purchase basis will be able to contract-out of Serps providing they fulfil a simple minimum contribution test. Under a money purchase scheme, the employer has full control over the amount of contributions paid in and financial commitments is known. Also the procedures for contracting-out are straightforward.

The minimum cost for such a pension scheme will be no more than staying in Serps. So these employers may well feel that they can now go forward with setting up pension schemes for employees under this new environment. However, any such decision may not be taken until after the next General Election.

Nevertheless, if employers have not made any pension arrangements because they do not regard this as part of their responsibilities towards their employees, then the Bill is unlikely to encourage them to change their minds. The Bill, unlike the Green Paper proposals, does not force employers to make any arrangements.

These employers may still continue to hold the view that their employees can rely on the State for their pension — even though the earnings-related element provided by Serps is being drastically cut

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Effects on Employees

Freedom to choose has its pitfalls

PERSONAL PENSIONS for all employees has been one of the main planks in the Government's reform of the UK social security and pensions system ever since the idea was first put forward nearly three years ago by Mr Nigel Vinson (now Lord Vinson), Mr Philip Chappell and Mr Philip Darwen.

Their now famous paper presented to the Centre of Policy Studies advocated that employees should be able to opt out of both the State Earnings Related Pension Scheme (Serps) and their company pension scheme and make their own pension arrangements. This theme was immediately adopted by Social Services Secretary, Mr Norman Fowler, in his review of pensions.

Throughout the various proposals put forward by Mr Fowler in each successive document — the Blue, Green and White Papers — one major idea remained central and unchanged — that all employees would have the right to make their own personal pension arrangements which they would be able to take with them when they changed jobs.

Now the 1986 Social Security Bill will bestow a legal right to a personal pension on all employees.

However, though the principle of freedom of choice for employees has been maintained, the complete freedom envisaged in the original CPS paper has been curtailed in many respects.

There is not complete investment freedom — the Bill refers to investment restrictions. Employees will not be able to hold their own personal pension portfolio of stocks, shares and other investments. The assets will not be able to be used for an individual's own venture capital if he decides to set up his own business.

Nevertheless, the employee is being given a much wider choice in his pension arrangements and much greater personal involvement if he so desires.

The main provisions of the Bill as they affect employees are: For employees in companies with no pension arrangement, they are affected by the other major reform—the modification in Serps. Employees who intend to rely solely on the state for their pension will find the ultimate benefits far from adequate for those retiring in the next century.

If these employees want to secure an adequate pension, then either they persuade their employers to set up company pension arrangements under the freer conditions set out in the Bill, or they make their own personal pension arrangements.

Employees whose employers have company pension arrangements will from April 1988 (the proposed date for implementing the changes) have the right to opt out of their employer's scheme at any time and make their own personal pension arrangements. However, once they have opted out, their employer is under no legal obligation to readmit them in the company scheme.

The main provisions for a personal pension are:

- A minimum contribution from the employee and his employer equal to the contracted-out National Insurance rebate —expected to be 5¾ per cent. Higher contributions can be paid—the maximum is not yet known—but employers are under no legal obligation to contribute more than the minimum.
- The contributions must be invested in an approved personal pension plan with an approved financial institution. The Bill extends the choice of institutions from the present life company monopoly to include banks, building societies and unit trusts. There will be tax relief on the contributions.
- Personal pensions will operate on a money purchase basis. Under this system, contributions are invested and the accumulated cash value at retirement used to buy an annuity from a life company. The personal pension plan will include provision or spouses' pension.
- Transfer value payments available from his old company's pension scheme when he changes jobs can be invested in a personal pension. However, an employee leaving the pension scheme but not changing jobs cannot take the transfer payment.
- Employees will have the right to buy back into Serps.
- To encourage employees to take out personal pensions, the Government is giving an extra 2 per cent contributions during the five-year period from April, 1988.

Employees will thus have a choice in their pension arrangements. How should they decide on the best course of action and who is available to advise them?

It will not be easy for employees to make comparisons between the benefits provided by a company scheme and those from a personal pension, simply because one is not comparing like with like.

A company pension scheme usually pays a pension that is related to an employee's salary at or near retirement — known as a defined benefit scheme. A growing number of employers are revaluing pensions to mitigate if not match the loss of value through inflation. Company schemes usually provide other benefits at a generous level — lump sum death in service benefits, widows and dependent's pensions.

With a money purchase personal pension, the employee gets what he pays for. The benefit of investment performance of the underlying funds goes to the employee. On the other hand he, and not his employer, has to pay the charges.

The Government's investor protection proposals as embodied in the Financial Services Bill will apply to pensions, discussed in another article. The Social Security Bill lays stress on protection for the employee against misleading advice and unscrupulous salesmen.

The White Paper laid great emphasis on providing employees with information in a form which would enable him to make a rational choice between personal and company pensions.

Life companies have been discussing the problems of presenting quotations for more than two years with as yet no agreement on how to proceed.

Now the solution to the problem rests with the proposed Life Assurance and Unit Trust Regulatory Organisation (Lautro) — the body likely to supervise life assurance companies and unit trust management groups under the new framework. It needs to liaise closely with the Occupational Pensions Board.

Eric Short

Effects on Financial Institutions

Monopoly ends for life insurers

SINCE ONE of the main declared aims of the Government's new legislation on social security and pensions was to widen the range of choice for the individual, it was small surprise that one area in which choice is to be widened is the types of institution that may offer pension plans to the public.

Life insurance companies, which have hitherto enjoyed a monopoly in the provision of full-scale pension arrangements, now face the advent of competition from other institutions such as banks building societies and unit trusts.

The Association of British Insurers (ABI), which represents life and other insurance companies, has criticised the proposals in Mr Norman Fowler's White Paper. Life companies are not opposed to competition, it said, but that competition should be fair.

The ABI argues that life companies are subject to particular financial and regulatory constraints to ensure that they are able to meet their obligations to pension contract holders. Under European Commission rules these include the requirement to maintain solvency margins on their life and pensions business amounting to 4 per cent of their total assets, plus an additional 1 per cent of the amount of life insurance cover at risk.

Life cover forms an important element in personal pension contracts, since benefits may have to be provided for widows or widowers in case the main pension contributor dies before retirement.

The Association feels that other institutions entering the field of personal pension provision should also have to conform to these solvency requirements. If they want to offer pension contracts, they should form their own subsidiary life insurance — as many banks and unit trust management groups have done already.

The suggestion that they might have inadequate standards of solvency draws indignation from many building society executives, who welcome the opportunity to extend their activities in the pension field beyond the administration of Additional Voluntary Contribution (AVC) plans on behalf of company pension schemes.

Under their own batch of new legislation—the Building Societies Bill now passing through Parliament—they will be permitted to set up and administer personal pension schemes.

The market is ripe for the building societies. Research undertaken by some societies suggests that 15 per cent of all building society account holders already have personal pension plans of some sort. But this figure is only a third of those who are eligible for such plans under existing legislation, suggesting a potential market of another 8m people, even before the new bill extends the scope of personal pensions.

The Building Societies Association, in its response to the Government's initial proposals for personal pension reform, argued that the societies are particularly well placed to offer pensions because of their reputation for financial reliability and their extensive branch networks. They are also experienced in handling deductions from employees' pay at source, through their involvement with AVS schemes and company share option savings plans.

Some building societies have already dipped a toe into the personal pensions water. The Halifax, for example, has teamed up with the Scottish Mutual insurance group to launch a personal pension plan. Investors have the choice of a low risk fund invested in the Halifax's deposit accounts or somewhat higher risk funds managed by the insurance company.

For unit trusts the case is less clear. Many management groups operate regular savings schemes for comparatively small sums, but the leap from this to the sort of administrative structure believed necessary for a pension plan is considerable.

The regulatory framework governing unit trusts is also much less extensive than that surrounding either life companies or building societies—even after the provisions of the Financial Services Bill, now being debated in Parliament, take effect.

The problem for all these groups is the sheer cost of administering thousands of very small pension contracts—far smaller than the present minimum size for most personal pension plans, and perhaps as little as £200 or £300 a year.

At present, some 20 per cent of personal pension premiums is swallowed up in insurance company charges, according to calculations by Mr Geoffrey Bernstein, a research fellow at the City University. And although a large proportion of this is in the form of commission payments, a significant amount is simply administration costs.

When the Government initially proposed the abolition of the State Earnings Related Pension (Serps) some life insurance companies simply threw up their hands in horror, saying that the administrative burden would be too great. Even the largest companies with the most extensive back offices, such as the Prudential and the Norwich Union, expressed concern. Others were more confident, saying that with new technology a computerised pension administration would be cheap enough to run, even for very low levels of premium.

Is this confidence misplaced? Some observers warn that although it may well be possible to administer very small pension plans cheaply enough, the effect on more profitable executive pension business could be disastrous.

George Graham

Doubts expressed over proposals

CONTINUED FROM PAGE 5

— and if the employees do not like that, then they can make their own pension arrangements. The Bill's proposals to introduce personal pensions will reinforce the view that employees can make their own pension arrangements.

The attitude towards the Bill by employers with good long established pension arrangements is likely to be quite different. Mr Fowler may well have claimed that he always had the goodwill of occupational pension schemes close to his heart, but employers may feel that his actions in the Bill belie this stance.

These employers could well regard the Bill as bringing yet more Government interference — considered largely irrelevant —to company pension schemes, causing more work and involving more expense.

Employers are currently still grappling with the radical changes imposed on their pension arrangements by the 1985 Social Security Act. Now they are faced with making further changes in 1988.

Employers with pension arrangements have three courses of action regarding the provisions of the Bill.

- Make the minimum changes to their scheme that will be necessary to comply with the provisions of the Bill.
- Take the opportunity to completely rethink their pension arrangements to bring them into line with modern employee needs.
- Cease their pension arrangements altogether and leave their employees to make their own pension arrangements.

Most employers are likely to take the first option and change their scheme solely to conform with the new legislation. Their schemes are too well established, and an integral part of employee relations, to terminate. Also pension scheme managers and trade unions are even more conservative towards their pension arrangements than pension consultants to consider uprooting and re-designing existing schemes.

The minimum changes involved with the Bill are:

- Eligibility. The membership of company pension schemes effectively becomes voluntary, since employees will have the option to come out of the scheme and make their own personal pension arrangements. Employers need to consider whether to make the scheme completely voluntary, so that employees can rely just on the State if they want, or whether to continue to make membership compulsory to ensure employees will have an adequate pension.

If employees do opt out, then employers, within the terms of the Bill, will be under no obligation to take them back into their scheme. Employers may consider the terms under which they will take employees back into their scheme. There may also be an initial cooling-off period, so that if an employee opts out, possibly with the encouragement of a salesman, he has time to reconsider.

- Widowers' benefits. Contracted out schemes will have to provide widowers' minimum pensions on the same basis as widows. Many schemes do provide widowers' benefits, often on a dependancy basis. Now employers need to consider whether to allow full widowers' pensions without qualification.
- Employers will have to provide an Additional Voluntary Contribution facility for employees.
- Refunds of contribution will only be allowed to leavers with less than two years' service.

Other minor changes will be necessary.

Employers are offered the opportunity to redesign their pension schemes, to involve their employees more and provide a personal element, to allow for the changing working patterns of more frequent job changers.

Pension consultants and consulting actuaries who advise employers on pension schemes are giving a lot of thought to pension design. Leading consulting actuaries, Bacon and Woodrow, are already telling clients about their new idea for pensions in the 1990s, known as Real Value Pensions.

More is going to be heard about new pension designs. It is to be hoped that employers will take heed of these developments.

Eric Short

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Squatter hazard

My wife and I own a country cottage which we use only as a holiday home, and which is consequently unoccupied for most of the year. It contains little of value and is in any event fully insured so we are not too concerned about the usual hazards of burglary, fire, etc.

What does greatly worry us though is the possibility of squatters. I seem to recall that there was quite a lot of this some years ago and the property owners had great difficulty in getting the squatters out.

Could you say what the law is now and what series of actions we should take if squatters occupied our cottage? Is it possible to have electricity, gas, water and telephone cut off in such a way that the squatters could not get these services put on again?

There is a speedy summary procedure for recovery of possession against squatters. This is done under Order 24 of the County Court Rules in the County Court or Order 113 of the Supreme Court Rules in the High Court; and possession should normally be capable of being regained in about two weeks from the commencement of the proceedings. There is no special means of dealing with services, but if you arrange for these to be discontinued you cannot he made liable for any restored services if you have not authorised reconnection: the loss would fall on the service company or authority. If damage is caused to the property there may be a criminal offence under the Criminal Damage Act 1971.

Allowances for excellence

I am a University lecturer in a relatively depressed part of the country. My negotiations with the local tax office have given me a clue to why the area is depressed.

The negotiations have been about allowable expenses in my employment. Most lecturers spend several hundred pounds a year on professional books. In considering the books as an allowable expense the tax office wanted confirmation "that these books were used solely for the preparation of lectures and not for the furtherance of your knowledge." To be fair the tax office did not press the matter further and has accepted the expense even when it was admitted that some knowledge had been gained from the books bought.

The Inland Revenue, however has been adamant that a small micro computer is not an allowable expense even granting that it is used wholly and exclusively for university work. The argument is that it is not a necessary expense. According to the IR "the fact that you have incurred the expense so that you can perform your duties better is a matter of private choice and we do not consider an allowance is due." Elsewhere, "expenses incurred in order to keep abreast of the subject is not allowable."

Like most lecturers, I would be willing to make these expenditures even if they were not allowable for tax purposes, yet I am surprised that the tax system works so openly and firmly against excellence and for mediocrity.

You appear to have received quite generous treatment—generous, that is, in relation to the notorious rigour of section 189 of the Income and Corporation Taxes Act 1970. Section 189 serves two purposes: it is administratively convenient and it enables tax to be levied from employees at an effective rate higher than that borne by the self-employed, generally speaking. The balance of tax burdens between the employed (schedule E) and the self-employed (schedule D) is partly restored by the self-employed surcharge (class 4 NIC).

Arrangement fee disallowed

I recently bought a shop investment with the help of a bank loan. In calculating the taxable income I deducted the sum of £750 charged by the bank as an "arrangement fee." The tax inspector has disallowed this deduction. He states: "One reason for this is because the charges are not used to purchase the property only to make it possible to do so." Is the inspector correct?

Yes. Ask the inspector for copies of the free booklets IR11 (Tax treatment of interest paid) and IR27 (Taxation of income from real property). It is rather a pity that you did not seek tax advice from your solicitor, when negotiating the purchase of the property.

Right to pass on a tenancy

When my father died in 1961 I inherited a bungalow which had a husband and wife for tenants paying a controlled rent on unfurnished accommodation.

The husband died in 1969 and the wife has continued as tenant ever since and has now lived in the bungalow for some 50 years.

I will be retiring soon and at whatever time the present tenant leaves or dies I would like to realise the capital on the property to improve the ludicrously low rent.

I would be grateful if you could tell me if she has the legal right to pass on the tenancy to a relative or other person?

• BRIEFCASE •

The widow tenant does have the right to pass on the tenancy to a member of her family who is residing with her in the bungalow at the time of her (the tenant's) death. She cannot dispose of the tenancy by will, nor can she take in a relative at the last minute to "create facts."

No non-resident tax rebates

I am a student in higher education and for the last five years have spent the summers working in West Germany. In 1983 West German law allowed students to escape paying tax; but in 1984 this was changed: tax was charged and had then to be reclaimed at the end of the year. Unfortunately West German law does not allow rebates unless the taxpayer has been resident at least six months of the tax year, so that I could not recover any of the tax paid. Is this not contrary to the Treaty of Rome?

The tax levied in the FRG complies with the Treaty of Rome and with the FRG-UK double taxation convention, from the facts outlined. (UK tax could be levied in the converse situation).

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Taxation

Playing the game with the Revenue

Many social and sports clubs may hold valuable assets but they could be in trouble with the taxman when they attempt to sell them. David Cohen explains why.

WHEN the members of Worthing Rugby Club decided in 1977 to sell off their valuable town centre ground and buy a cheaper site on the outskirts, they expected to make a profit of more than £130,000 from the move.

Eight years later, following Inland Revenue intervention and a High Court battle, this was converted into a net loss of almost £60,000. The case has important implications for all clubs owning land or other valuable assets.

Soaring property prices have given many old-established clubs the chance of a windfall gain. Although a club's purpose is normally to provide amenities for its members, rather than make money, the two aims need not be irreconcilable.

Where the surrounding area has been developed after the club moved in, it should be possible to switch to an equally suitable but much cheaper ground in a less sought-after location. Or, if a complete switch of venue does not appeal to the members, there might be scope for something less ambitious. A golf club could find that by selling off part of its 18th hole, it can afford improvements to its 19th.

Property aside, the club might find that a work of art or small shareholding bequeathed to it in the dim and distant past has become of significant value. Whatever the asset, though, the tax effects of selling it are likely to be far more complex and the main cause of the complications is the anomalous legal status of clubs.

A few exist as limited companies and are taxed on their gains in the same way as ordinary commercial companies. However, the vast majority of British clubs are unincorporated associations, which means they are not regarded as having legal personalities of their own.

If a company owns an asset, the owner of the asset is the company—not the shareholders. In the case of a club, though, ownership will be vested in the individual members.

However, it is obviously not feasible for an asset to be registered in the names of all the members and, where land is concerned, English law will not allow more than four joint-holders. So, in practice, club property will be held by three of four trustees for the whole membership.

Which brings us back to Worthing Rugby Club, an unincorporated association with three trustees holding its land.

When the ground was sold at a large profit, the Revenue had absolutely no difficulty in deciding that it wanted its share of the spoils. The difficulty was in deciding from whom to take it. There were three possible targets—the club, the members and the trustees. Whichever of these three owned the land would be liable to pay the Capital Gains Tax (CGT) on the profit. But which did own it? Supporters could be found for each of the potential candidates.

A layman—uncluttered by legal concepts—would almost certainly have identified the club as the landowner, but a lawyer would explain that its lack of legal existence made the members the true owners. And the Land Registry for the area would, if asked, have reported that the land was held by the trustees.

However, when the matter came to court, it was the layman's view that prevailed.

Both parties agreed that since the role of the trustees was purely nominal, there was no question of the liability falling on them. (However, trustees of other clubs should not necessarily be totally reassured by this. Although club trustees will generally be in the clear, the decision in the Worthing case was based upon the specific wording of the trust deed. If the deed had given the trustees more rights they might have faced a tax bill which, if the sale proceeds had already been used up, would theoretically have had to be paid out of their own pockets).

The club tried to convince the court that the tax liability should be split between all the members equally. This would have been a very frustrating result for the Revenue.

Not only would the collection of tax from so many people have been an administrative nightmare, but the yield would have been very small because most of the members could have fallen back on their annual CGT exemptions. The Revenue implicitly acknowledged the futility of this course by issuing tax assessments against the club and the trustees, but not against any of the individual members?

The court's decision—based on a technical interpretation of the relevant tax sections—was that the club itself was liable. Although a club is generally not recognised by English law, the court was prepared to recognise it for the purpose of requiring it to pay tax.

Worthing ended up with a far higher tax bill than a club would get nowadays because it had to pay not only Capital Gains Tax but also Development Land Tax, which was abolished in the 1985 Budget.

Nevertheless, CGT remains a heavy cost. What can other clubs do to try to shift it on to individual members?

Worthing had considered transferring its land to each of the members in equal parts before the sale. Theoretically, this would have put beyond doubt the fact that they were the owners. However, apart from the risk that an awkward member might frustrate the sale, the artificiality of such a scheme would almost certainly condemn it to failure.

There might be more chance if the documentation relating to the property can be set up in such a way as to divorce the asset from the club and to emphasise that it belongs to a group of individuals who just happen also to be the members of the club.

The advantage of such a strategy for the club is considerable, but the possible disadvantage for the members should not be disregarded. If the Revenue did decide to try to assess them, the members would risk being taxed on a profit they had not received.

David Cohen

• PROPERTY •

The last straws

THATCH was once a poor man's roof. Now, it is in demand as a fashionable covering for cottages and houses that are rapidly moving into a high-price bracket. The visual attraction, plus the benefit of being warm in winter and cool in summer, all contribute to its appeal. There are at least 100,000 thatched buildings in Britain, and they are increasing.

It is important to know your thatch. Property details supplied by most estate agents rarely tell you what kind of material bas been used, or wben it was last done. And a recent television programme brought a scare by saying that thatched roofs lasted only two years. "This amazingly inaccurate information resulted in a spate of worried owners contacting us," says Robert West, managing director of the Thatching Advisory Service at Finchampstead, Berkshire.

He points out that, at the very worst, a long-straw roof will last for 10 to 12 years even if put on hadly. "If it is well laid, it could remain sound for as mucb as 20 years. Combed wbeat reed, the next best material, normally has a life expectancy of 30 to 40 years while Norfolk reed, the hest, sbould be good for 60 to 80 years."

West, who for £28.75 a year runs a 24-hour emergency repair service, adds: "In the West Country, though, you could find that your roof does not always stand up to the elements as well as it should. More humid conditions help moss and licheo to grow, and the reed or straw to hreak down. The pitcb of the roof counts, too. Anything less than 45 degrees means water runs off slower."

The Ministry of Agriculture, Fisheries and Food has given a grant of £46,000 to Bath University and experimental thatch roofs are being built there so that the effects of fungi, nitrogen, rain and sun can be examined by a fungal ecology specialist, Dr Alan Rayner.

How do you identify your thatch?

● Long straw, whicb is normally winter wheat, is easily recognised by the rounded, curvaceous outline it gives to a property and the loog lengths of straw visible on the roof. At eaves and gahles, there is normally a pattern of hazel "liggers" or rods, holding the thatch in place, and the wbole roof is generally covered with wire mesh.

● Combed wbeat reed is also wioter wheat, but it is passed through a comher to remove debris and weeds and is laid in a similar fashion to Norfolk reed. A roof in this material looks rounded as new layers of thatch are often fixed to old, making the roof covering as mucb as two feet thick. The butts are pusbed or dressed into position, and the thatcb is also covered with wire.

● Norfolk or water reed is laid directly on to the rafters with old layers being stripped away. This gives the effect of a much more angular covering as it outlines the shape of the roof. It is dressed into shape, and there is normally no wire covering.

Reed is commonly called Norfolk because of the large number of croppable beds in that county, but it is also grown commercially in areas as far apart as Dorset and the Tay Estuary. The best reeds are between now and March when wind and frost will have stripped the "flag" or leaves from the stems, making them a pale straw colour. About 1,000 reeds make up a bundle, which is theo stacked to dry out before being combed to remove unwanted grasses.

Once you know what bas gone on the roof, its age and life expectancy can be ascertained. Signs of deterioration show by discoloration, slipping, growth and loose, uneven looking thatch. Where water has penetrated under the eaves, a thin black line will sbow. After seven to 10 years, this will be an inch or more thick with black triangles.

After five or 10 years, the wire mesh will begin to crack or rust. When the ridge (usually made of straw or sedge), starts to go, it is time to replace it as well as re-wire. Costs for re-ridging are about £25 per foot, with re-thatching between £3.50 and £4.50 (plus VAT) per square foot. (A thatched roof is actually measured in "squares"—ao area 10 ft by 10 ft.)

Insurance costs are high, although much has heen done to counteract the risks of fire. A water-based chemical solutioo can he injected to retard the spread and penetration of flame, with a harrier foil fixed directly to the rafters by hattens. This resists fire and acts as a thermally reflective insulator.

Premiums vary between £3 and £3.50 per £1,000 on a thatched building, compared to around £1.25 and £1.60 on a house with a tiled roof. Specialists in insurance for thatch are the Country Gentleman's Association, Letchworth, Hertfordshire; the Thatch Owners Insurance Agency, Heath Road, Twickenham, Middlesex; Burgoyne Alford, North Street, Horsham, West Sussex and the TAS.

Where to find your thatcher? The Council for Small Industries in Rural Areas (CoSIRA), 14 Castle Street, Salisbury, Wiltshire, will forward enquiries to members of The Master Thatchers' Association io the appropriate district. The TAS, with a group turnover of more than £1m a year, has 17 franchise-thatchers covering Devon, along to Kent and Sussex, and up to Norfolk and Scotland.

To promote better understanding, both by thatch enthusiasts and property professionals such as surveyors, estate agents and architects, the TAS bas organised thatch seminars and those atteoding can practise laying the reeds on an actual roof. Details from Tessa Blair, TAS, 29 Nine Mile Road, Finchampstead, Berkshire (0734 734203).

Also produced is a free magazine, Thatch, which shows how effective it looks on everything from a bus shelter to new houses by Bovis.

"Due to its intrinsic charm, there is tremendous demand for tbatch in our area," says Robin Thomas, of Strutt and Parker's Exeter office. He quotes Brook Cottage, Kenn, which attracted many offers from as far away as Oxfordshire and finally sold on a sealed bid for well over the guide price of £55,000.

Strutt and Parker's Salisbury office recently sold two thatched properties around tha £200,000-plus mark—the Fighting Cocks in the Woodford Valley and Water Cottage at Abbotts Ann, near Andover.

It also received more than 600 enquiries worldwide for the picturesque Squalls Estate in 160 acres at Ansty, near Salisbury. The 16th century five bedroom, three batbroom house at Squalls is thatched; together with its annexe, cottage, stable yard, indoor riding school, tennis court and swimming pool, it sold immediately. But the purchaser withdrew, so the estate is on the market again in excess of £1.1m. Brochure from 0722 28741.

Thatch for sale

● Rose Cottage, South Moreton, Oxfordshire; its thatched roof was re-ridged aod re-wired about three years ago. In excess of £210,000 (Christopher Stephenson Interoational 048839 654).

● Thatched Cottage, Terling, Essex, with wired straw-thatched roof. In the region of £85,000 (Strutt and Parker 0245 58201).

● Sparrows Thatch, with a Norfolk reed roof and private access to Ham Manor Golf Course, Angmering, West Sussex. Around £149,500. (Fox and Sons 0903 773131).

● Meadow Thatch, Sway, in the New Forest, Hampshire, a four bedroom house with a guest annexe, swimming pool and barbecue complex. About £220,000. (Jackson and Jacksoo 0590 75025).

● Mayfield Cottage, 16th century, by a trout stream in Lower Tadmarton on the edgo of the Cotswolds near Banbury and the proposed M40. In the region of £72,500 (Savills 0295 3535).

● In 1¾ acres at Nutbourne, West Sussex, a 17th century harn with planning consent for conversion into a home. Offers around £95,000. (Clnttons 01-499 4155).

June Field

The 6-bedroom Collabear House in 2½ acres in Tawstock, Barnstaple, North Devon, is a 16th century yeoman's house, recently rethatched in Devon wheat reed. Offers in region of £115,000 through Strutt & Parker (0392 215631), and Phillips Sanders and Stubbs (0271 75784)

Water-reed thatched new 4-bedroom homes from £117,000 at Woolstones, Milton Keynes. Details Bovis, Harpenden, Hertfordshire (05827) 66661

The Court House, thatched 15th century 5 bedroom house at Bratton, Wiltshire where courts were once held for the collection of dues for Lord Bath. £125,000 through Humberts, Chippenham (0249 655661)

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Taman Mini, a tourist park in Jakarta showing traditional Indonesian houses

Pulau's rise as tourist isle

THERE IS NOT much wrong with Pulan Putri, a tiny island in the Java Sea 40 miles north of Jakarta. In contrast to the little known, and perhaps unknowable, sprawling capital of Indonesia, it takes only 15 minntes to stroll, on white sand, around Pulau Putri, although you are likely to halt often to examine tentatively a two-foot-long sea slug, or play with a sea anemone, prodding it with a finger so that its brightly coloured flowers pop back into its shell.

The sun shines; a coral reef ringing the island gives a sense of security; the 25 pondocks, or nativa cottages, house enough fellow tourists for company but hardly crowd the place; there is perfect snorkeling, scuba diving and water skiing for the energetic, in a translucent sea; a restaurant to serve satay and spring rolls; and, to distinguish this new boliday island from its rivals in, say, the Maldives or the Caribbean, Pulau Putri contains a mosque, for the needs of the discreetly courteous staff, and, for drama, a miniature version of the Komodo dragon is supposed to inhabit the dense bush of jungle in the heart of the island.

But there is the odd drawback. Sitting under a mangosteen tree you can receive a nasty knock on the head from the kernel of the fruit, rejected by the giant bats which chase through the branches munching what the Indonesians confidently assure you was the favourite fruit of Queen Victoria. And, in January at least, Pulau Putri becomes very tropical indeed, the rain sheeting down at night with a clamour which matches the roar of the cicadas in the trees. What was the most peaceful place in the world as you sat on your veranda watching the sun set west of Java anddenly becomes nature, pink in tooth and claw.

The contrast adds some bite to unreality. It was less easy to cope with the sea crossing from Jakarta, which, for those on board, was rather like rounding Cape Wrath on a surfboard. Every article of glass and china on tha yacht was smasbed; the press party was emotionally bonded for life as they found their own corner to cope with an imminent death which could not come too quickly; and when the only half erect survivor, a dauntless woman from the BBC, announced that we would have to stop a moment to pick up a buoy that had been washed overboard, there was a universal feeling that Indonesia, with a popnlation of over 160m, could survive the loss better than us. The message is simple —avoid Java between November and April. For the rest of the year it could become the next holiday must. (And, in truth, the light aircraft quickly chartered to return the instantly revived group to the mainland was a 20 minute doddle.

At the moment the best access to Indonesia is as a stop-over on the weary haul to Australia. Geruda, Indonesia's national airline, is usually among the cheapest carriers to Australia and has long gone via Bali, the only one of the 13,677 islands in the country to be familiar to tourists. But just as the Indonesian Government is persuading farmers to quit Java, with over half the total population, for the little-occupied areas to the east, so is it seeking to promote the attractions of islands other than Bali to holiday makers. A brief balt at Jakarta bas its points.

The city itself is like an Asian Los Angeles, with the visitor shooting for miles along highways which offer no sight of the 7m inhabitants, only tower blocks and national monuments. Once inside a hotel you can see the thousands of red roofs across the way, their skyline broken by a towering minaret, for this has become a rather puritanical Muslim country of late, to the detriment of gamblers and seekers after fleshpots. Fortunately your hotel could be the Mandarin, whicb comes close to emulating its parent hotel in Hong Kong as one of the most welcoming and luxurious in the world.

It would take an adventurous visitor to uncover all the city's secrets, although locals regard it as a great metropolis. The museum contains fragments of Java Man, who did not quite turn out to be the missing link between man and the monkey; there is a flea market where prices plummet dramatically if you show an iaterest in an Indonesian puppet or a hrass padlock, and a bird market where fighting cocks are on offer as well as the hest talking mynahs; there is, in Pasaraya Sarinah Jaya, a hargain-conscious department store where pirated cassette tapes of the latest pop alhums cost little more than £1 and kimonos can be purchased for £3; and, around the port area, there are the remnants of old Dutch Batavia, with 17th-century warchouses and sailing vessels which are still used to transport the ahundant natural produce of one of the most fertile lands in the world.

A glimpse of the profusion of Java is on hand with a quick tour inland to the mountains of the Sundanese people, less than 30 miles from the capital hut speaking one of the many hundreds of languages which dot this diverse country.

As you drive higher the weather, in January, cools aoticeably to the temperature of an English summer day. By the time you reach the tea plantations there is a misl worthy of mid-Wales. But in Powys you do not get the opportunity to stop at one of the many fruit markets and barter for a halry rambutan, a jackfruit which can weigh 30 kilos, or the durian which smells so foul when opened that hotels will not allow you to bring it back, and no airline will carry it.

Indonesia is a remarkably cheap country. It is best to negotiate a room discount through a travel agent for a stay at oae of the luxurious hotels, like the Mandarin, and then take advantage of the packages they offer—to Pulau Putri, which, at the moment, is one of only two toarist islands in a group of over 600 which should become a popular playground of the rich; to Bali, through a special four-day, three-night offer; to Yogyakarta in southern Java.

At the moment most visitors to Indonesia (outside of Bali) are businessmen, often seeking a abort hreak from selling in Australia, Hong Kong or Japan. The less adventurous of them like the safe luxury of the hotels, hut some go for the quite unknown experiences a taxi ride away. For the fifth largest nation in the world in population, and one of the richest in potential, Indonesia offers all the predictable recreational pluses—sun, sea, exotic food, and low prices, with a mostly pleasing unpredictability.

Antony Thorncroft

The old XJ6 can still hold its own

SPENDING A week with a Jaguar XJ6 3.4 automatic immediately after a week with an Audi 100 Quattro was rather like moving from a super modern luxury hotel into one converted from a chaleau.

You lose the built-in jacuzzi, the air conditioning aod computerised miaibar. Instead, you get antique furniture to delight the eye, tall windows you can open and the kind of service that produces a steak sandwich and a bottle of Burgundy in your room at 2 am withia ten minutes of lifting the telephone.

The price is about the same. The Audi 100 Quattro with five-speed manual gearbox — there is no automatic option — is listed at £16,148; the Jaguar at £16,095. Which is the better car? Oae cannot possibly say because they are so different. It depends entirely on what you want.

The Audi's 2.2 litre, five-cylinder engine overhangs the front axle centre line and its power is split 50 : 50 front and rear through permanetnly engaged four-wheel drive. It also has ABS anti-lock brakes. This layout gives it an exceptional amount of interior space plus the kind of tractioa, roadholding and hendling that take tbe skill out of driving well on slippery, windiag roads.

Snow end ice are not needed to show up the benefits of permanent four-wheel drive. You notice them every time you pull away smartly from tha traffic lights in wet weather, especially if you have stopned on a hill. Or when you accelerate hard to exploit a gap in the traffic. In a powerful froat-wheel drive car, wheelspin in the lower gears can be a real problem. With four-wheel drive, it disappears.

Should you have to brake hard in an emergency, ABS lets you retain full steering control. Even in the hands of an insensitive driver, the Audi Quattro is a safe car.

A roomy 4-5 seater, it has a huge boot. The slippery shape of the body lowers aerodynamic drag so that fuel coasumption at high cruising speeds is moderate. My average was nearly 28 mpg.

Unless taken up to high revolutions, the engine is smooth and quiet. There is little wind noise at motorway speeds, a fair amount of rumble from the ultra-low profile tyres on coarsely textured surfaces.

Visibility is good, unless you are tryiag to reverse up a strange drive ia the dark, when the high boot gets in the way.

The price inclndes e powered sunroof, on-board computer, central locking, cruise control, electric windows and outside mirrors, alloy wheels aad metallic paint. The only desirable extra is air conditioning desirable because although the heater is fine in winter, the large glass area makes the Audi a hot car in summer.

The Jaguar XJ6 3.4 I drove had the new tweed trim so that opening the door did not provide the rich smell of leather oae bas always associated with up-market English cars. But in every other respect it felt a car of traditional quality.

The ride must be the envy end despair of other manufacturers. The all iadependeot suspension is quita soft but well damped so that the Jaguar tramples bad roads flat. Yet it has finely balanced handling, corners nimbly without wallowing aad is almost free from tyre noise. At worst, there is a muffled thud when you hit a drain cover. New cars with fatter tyres make twice the fuss.

Provided the six-cyliader, twin overhead camshaft engiae is kept below 5,000 rpm, it doea not raise its voice unduly. The three-speed automatic transmission is smooth and has a manual shift between middle and high in the Mercedes-Benz class for ease and convenience.

The Jaguar XJ6 3.4. Getting on a bit, but the ride quality is still unsurpassed

The 3.4 Jaguar's overall gearing is on the low side and fuel economy is unimpressive. My 18 mpg reflected typical business use, mainly motorway but with some town driving, all of it at sensible speeds.

Really, this Jaguar model is quite an old fashioaed car; it was born in 1969 and has been changed only in detail since then. But its age — or should it be its refusal to grow old? — is part of the attraction, providing one accepts it for what it is. The long honnet aad low roof-line, the large central console, make it no more than a four-seater with, by 1986 standards, a miserably shallow boot.

A driver does not notice the lack of room up front though a passenger fiads it hard to change position oa a loog journey.

The Audi 100 Quattro. Four-wheel drive for security, and good fuel economy, too

Screenwipers and washers have to be operated separately; twin fuel tanks must be filled one after the other; and why does a car need three large keys to wear boles in trouser pockets? The power steering was better than I had remembered though I did not rate it as highly as newer systems like those used by BMW or Mercedes-Benz or, come to that, Audi.

But none of these things really matters if you are a Jaguar kind of motorist. For all its little faults it is a superlative car to drive, if not quite so attractive to ride in as passenger.

My wife and daughter have told me for years they feel sick after riding with me for an hour or two in a Jaguar. Is it, I wonder, something to do with tbe side force created by its instant response to small movemcats of the steering wheel? One does not notice it when driving, or when riding as passenger on a motorway, but when my wife took the wheel on secondary roads, I saw her poiat. While driving, though, she had nothing but praise for the Jaguar, rating it a superlative car.

For sheer urbanity plus high performance, the only car that is the Jaguar's equal is that other far from young luxury carriage, the Bentley Eight. For its price you could have two Jaguar 3.4 automatics and enough left over for a reasonable holiday apartment.

Will the aew, lighter Jaguar XJ-40, due to make its debut this October, have a better ride and greater refinement than the XJ-6? It will be doing well if it is as good.

Beat in-car thieving

Along with car aerial-benders, thieves who take in-car entertainment systems are a present-day pest. Electric aerials that retract into the bodywork beat the vandals — at a price. Now comes two ideas to deter the thieves. Blaupunkt (the in-car entertainment arm of Robert Bosch) has introdnced a fitting kit that allows the owner to remove a valuable Blaupunkt stereo radio/cassette set from the car and take it away or lock it in the boot. Philips has a security code radio that will not work unless the user knows a three-digit number to punch in. A sticker on the car lets the would-be thief know it would pay him to look elsewhere.

Stuart Marshall

• D I V E R S I O N S •

Archaeology

Marble memories of an ancient art

THE FIRST marble sculptures of the Cyclades—the islands in the middle of the Aegean—has been a powerful inspiration to masters 4,500 years later. Moore, Brancusi and Modigliani have all responded to the directness of the Early Cycladic figuries—mostly women—and the tactile strength in their anonymous precursors' use of the local stone, marble.

Now a new museum has opened in Athens with an outstanding collection of these figuries of the third millennium BC which seem as "contemporary" today as they did then, and yet are the first major step in the great history of Greek art.

The Goulandris Museum (4 Neophytou Douka St, near Kolonaki Sqare) is a smart building by Mr Yiannis Vikelas with excellent details and a sense of chic. It has been built for the collections of the N.P. Goulandris Foundation formed by Mr and Mrs Goulandris over the last 25 years. Mrs Goulandris is still adding to it.

The collections are beautifully displayed and lit (by Messrs Gordon Anson and Elroy Quenroe of Washington) so that you cannot avoid the objects; and they are authoritatively labelled in Greek and English. They are on two floors the size of a large commercial gallery. With its carpets, the Goulandris Museum will be just the thing for this needing a break from the hard floors, crowds and size of the National Museum.

Its collection of Cycladic art is second only to that of the National Museum, and perhaps to that of the museum in Naxos in the Cyclades, which fewer people will have the opportunity to see. The Early Cycladic marble sculpture is mostly figurines of women with arms folded below the chest. Some of them are clearly pregnant. They are generally rather flat, almost like planks, but have some bending at the knees—which might indicate lying down. There is usually a prominent tilted back head with an even more prominent nose — features picked up in Modigliani's paintings.

The women are striking, for the tactile power of the different parts of the body. The sensation comes from both the crystalline white to pale bluff marble and the solidity of its carving. There are signs of movement, bands starting to go round the waist, a bead starting to turn. The effect is direct. The figurines cut across the millennia since they were made and need no pious attitudes to be enjoyed.

But what were they used for? They certainly had uses, and were not art for art's sake; but there is little agreement on what the uses were. We may say they are a form of the Mother Goddess: it is difficult for us now to see what that means. They could have protected women in childbirth, the most dangerous point (until recently) of their adult lives. Some were put in tombs, presumably to succour the dead —but often they are not given an important place in the tomb.

Some may have been toys. Some went abroad, and were copied in Crete. But a broken one there was built into a wall by the Minoans. At home they seem to have been more valuable, at least to the sculptor. One in the Goulandris Museum broke at the knees. So the sculptor rather than waste the piece, put the toes at the knee-joint.

It is easy to see the larger ones being venerated. The Goulandris Museum has just acquired an exceptionally large one, 1.40 m high. It is too big to have been put into the quite small tombs, but it could have been propped against the wall at the back of a shrine.

This figure has exceptional modelling and a movement of which we have only hints in the figurines. Its size demands it be called a statue, marking the earliest large scale sculpture in Greece. Likewise 1500 years later the roots of large scale classical sculpture were again in the Cyclades. One factor was that most of these islands forming a circle (*kyklos*) round Apollo's holy Delos are made of marble.

Another must have been the independence of the small island states, living from farming, fishing, trade and probably piracy. In later prehistory they were swallowed in the spheres of Minoan Crete followed by Mycenaean mainland Greece. In classical times Athens came to dominate.

The male figurines are rare but often small masterpieces. There are warriors and hunters, and seated lyre-players, with a fine example in the National Museum. Also there is a man standing to play the double flute. The Goulandris Museum has a seated man raising his cup with his right arm, his left folded across his waist.

Displayed with the figures are the pottery, metalwork, jewellery and marble bowls, jars, palettes and saucers, of simplicity and elegance. Some of the bowls have traces of red ochre cosmetic, used for details on some figurines, and perhaps also for humans, dead or alive.

These objects, and the figures, and the burial habits, and the often fortified settlements are what are left to us of the daily life of the Cycladic islanders. Smaller cultural groups within the whole show the independence of the different island states. Not surprisingly, some islands developed faster than others.

Life in the third millennium BC Cyclades must have been challenging, if not bleak and barren, as it has been so often since then. Seafaring has been a regular response. The marble figures are an extraordinary one. They made the most of what there was on the spot, gave relief in life and death and, with their luminous simplicity, still relieve and give pleasure now.

Gerald Cadogan

John Cherrington on the signs of coming spring

When cows have five mouths

ONCE THE winter solstice is past, I begin to look for the first signs of spring. In most years, it is a pretty long wait; but until last week it did seem that the mild weather we had enjoyed in the south since a cold snap in November was beginning to work the annual magic of a new start to another year.

I would not expect to see much yet on the heights of the north Hampshire hills, but even on my own farm there was a visible greening of the young wheat and the grass fields laid to provide feed for the first of this year's lambs were showing quite promising new growth.

This was especially noticeable when looking at the fields against a low sun in the morning or evening. Actually, this is a bit deceptive. Real experts, when assessing the crop, count the number of plants to a square metre and do not rely on visual assessment at all. But I am old-fashioned enough to believe that the essential is to see new life in the pastures and grain crops; and, although I will admit that this vew is from the most favourable angle, I don't upset myself by looking for the worst.

As it happened, I had to make a journey to Devon and Cornwall in glorious sunshine last weekend, and took the opportunity to seek out the first most definite signs that winter was being hedged out.

Where better to do this than on the Lizard Peninsula, the southernmost point of the British Isles and lapped by the Gulf Stream? Although the pastures were verdant and there were ewes and lambs in some of the fields, the flowers were being very different about appearing. However, daffodils were well in bud in a seaside garden at the Lizard Point and probably will be flowering by next week; while I did see our first snowdrops of the winter and some clumps of primroses in a very sheltered valley belonging to the tenth hotel at which we called to seek a bed—in vain (why don't hotels, which entice the stranger, say on their noticeboards when they are actually closed?)

The lambs, of course, have nothing to do with the onset of spring. A ewe's gestation period is about five months and these early lambing flocks are producing for the Easter meat market, so the mating has probably taken place in August. When grass comes early, it saves the farmer having to buy expensive feed. Grass is the best feed for a lactating animal, and the fresh shoots are appetising to the lambs when they start to graze at about a month old.

Although there was enough grass in many areas to feed cattle, most were still in their sheds. Modern farming recognises that a cow has five mouths at this time of year: one with which to eat, and four feet that will crush and destroy the young grass before the animal can eat it. Sheep, on the other hand, are much lighter and don't do the same sort of damage, so they are tolerated to graze the winter pastures, but within reason.

This qualification is because sheep are very close grazers and, unless controlled, will get the pastures eaten down so bare that they will not grow again when the real spring does eventually come along. Thus, the farmer has to save some of his fields for cattle alone.

On the whole, though, the country all the way looked as well as I have ever seen it. The grass and cereal crops had that special dark green colour showing they had benefited from the lack of frost so far. The landscape, too, was spectacularly neat. Most Devon and Cornish field boundaries are earth banks with hedges on top. Until a few years ago, they were kept trim and laid by hand, a skilled and expensive job which had not been done too well in recent years.

Now, though, it seems as if every farmer has bought a mechanical hedge trimmer and spent a few day shaving up fences and the extremities of the farm. These trimmed hedges are not particularly proof against livestock—but then, there don't seem to be so many animals left.

This has been one of the great changes in British farming since we entered the European Community. Because grain production has been the most profitable and trouble-free husbandry, farmers whose land is suitable have turned over to cereals.

It used to be a risky business in the western counties because the mild climate carried attacks of fungus diseases. However, modern fungicides have enabled the farmers to achieve yields unthinkable even 20 years ago. Much of the greenery we see there now are the young plants of wheat and winter barley.

It might surprise people to learn that, in spite of the appalling summer, we in Hampshire were short of rain until early December. That has now been put right: on my own farm there were seven inches last month and, further south-west, about 11. In consequence, the winterbournes on the chalk are running well. These are a feature of all the chalk escarpments which act like a sponge absorbing the rain through their permeable soils and storing it until, eventually, it reappears high up the dry valleys at this time of the year.

These bournes are the source of famous streams like the Test, the Itchen and the Avon. Because of this characteristic of water storage, the chalk streams have no spate periods, and their flows are seldom affected by short-term rainfall patterns. As a fisherman, I was very happy to see the local winterbourne had started again a few days ago. The Test will not run dry this summer.

The bournes are the first real signs of the coming spring; yet, although it was easy to be seduced by the marvellous weather I enjoyed last weekend —the sunniest of the century for the time of year, according to reports—I am not expecting really to feel the spring in my bones until at least the end of February. Indeed, as I write, the sun has vanished and sleet is blowing against the window.

Gardening

Branch offices

WHILE PRUNING apple trees the other day it occurred to me that the tool I was using most of the time was one I had never written about and could not recollect anyone else mentioning. It was a long-handled tree pruner with a long shaft of hardwood or tubular steel with a cutting device fixed on top. This is hook-shaped, with a pivoted steel blade that can be drawn into it to make the cut. This blade is operated by a stout, stiff wire running in eyelets attached to the shaft and looped at the bottom into a powerful lever with hand grip.

It is in no way a precision tool but it is a powerful one. If the blade is kept sharp (and it is easily detachable for grinding) it will slice through stems up to ¾ in. thick. This, in itself, is useful but what makes the pruner indispensible to me is that I can reach up with it to cut quite high branches while keeping my feet firmly on the ground.

Just how high one can reach depends on the length of the shaft and some manufacturers offer a choice. My tree pruners are all Neverbends and these come in three lengths, 6, 8 and 10 ft. I find the 10 ft pruner rather clumsy and work most of the time with a 6 ft shaft, keeping an 8 ft pruner in reserve for use when essential.

Even at six feet it is impossible to prune with the accuracy of secateurs held in the hand and that is why garden writers so rarely mention long handled tree pruners. It may seem contradictory to be emphasising at one moment the desirability of making each cut immediately above a bud and at another to be recommending a tool that makes it impossible to do this with certainty. In fact this degree of precision is not necessary for all kinds of pruning and I seldom try to use a long handled pruner where it is unnecessary.

The pruning of large fruit trees is largely a matter of thinning and this is quite easy to do with long-handled pruners. Look up into such a tree and it will almost certainly be seen that some branches are much too close together. Some may actually be crossing one another and rubbing when the wind blows.

A little more study will show that some of these stems have more potential than others. They may be younger, or more vigorous or better provided with fruit buds. So the least satisfactory are cut right out where they join another stem or main branch and when this has been done all round the tree it will almost certainly look very different from when one began.

There may well be nothing else to be done but if it appears that more detailed pruning is required one has the choice of getting close to the work on steps or ladder and using secateurs or trying a long-handled pruner. I do a little of each and sometimes mix the two methods by using a 6 ft pruner from steps or ladder rather than a longer one from the ground.

Even with regular pruning there is usually cutting to be done that is too heavy even for lopping shears, let alone long-handled pruners or secateurs. Sawing becomes essential and the only problem is what kind of saw to use.

If the branch is not very thick a narrow-bladed pruning saw will be best as this will slip easily into awkward places. If it is designed to cut on the draw as well as on the push so much the better. The small curved saws known as "Grecian" are usually designed to cut on the draw only which is fine if one is cutting above shoulder height but not so convenient if one can get above the branch. It is always wise to make an under-cut first so that the branch falls off cleanly without stripping the bark.

For heavy lopping a mechanical chain saw may be the best tool to use. If it is electrically powered the only problem will be to get current to the point of action. Long cables reduce voltage and portable generators add greatly to expense. Small petrol-engined machines should provide the perfect answer but I have one complaint about those I have used.

They are difficult to start unless one is standing with both feet firmly on the ground and both hands free to hold saw handle and starting rope. I watch with envy skilled tree surgeons swinging about in their harnesses, slopping and starting their saws with apparent ease. I cannot do this and I find it rather frightening to carry a running saw up a ladder even though the engine is idling and the blade is not moving. What I want is a clockwork device which I can wind up and then release at the touch of a button to restart the engine even when I am perched high up. Surely that should not be too difficult.

Arthur Hellyer

Collecting

Rich pickings in old dolls

"I LOVE old dolls," wrote a poetical pioneer American collector, Mrs Alice Kent Trimper —"the playthings of a gentler age, with rosy cheeks and sparkling eyes, they wonder where the Children are, who held them close in years gone by."

Mrs Trimper, whose fine collection now belongs to the State Historical Society of Wisconsin, bought her dolls when they were still regarded as quaint, valueless bygones. She can never have anticipated the marketability, today, of sentiment and nostalgia like hers.

Dolls are big business. In 1984 Sotheby's sold a 17th century English wooden doll for £17,600; and prices still show a progressive rise. On Wednesday, Sotheby's has an impressive sale of over 200 fine dolls, each of which should realise between £200 and as much as £9,000.

In the past couple of years the dolls have brought their furry friends to the market too. There is a regular teddy bears' picnic at Sotheby's on Wednesday; a good teddy from the early years of the century with the mark of the German firm Steiff can easily make four figures.

Inevitably the booming market encourages research and a growing literature. Mary Hillier, who has previously contributed the 1968 Dolls and Dollmakers and (as editor) the invaluable Pollock's Dictionary of English Dolls, has just published The History of Wax Dolls (Souvenir Press, £14.95). Allowing for a strong English bias, it is diligently researched, tracing the art and technique of wax modelling to its origins, and unearthing a wealth of new material on London doll-makers.

Because the making of wax dolls involved so many individual crafts and so many arcane processes to be passed from generation to generation, it tended to be a family business. Mrs Hillier explores the pedigree of the Montanaris, the Pierottis, the Meeches, the Marshes and the Wheelhouses, dynasties that supplied the elegant London toy bazaars throughout much of the 19th century and are now honoured among collectors.

The best wax doll heads were made as pure shells of poured wax, with bodies and limbs of various combinations of cloth and composition. Cheaper methods of production used a papier mache base coated with the tinted wax which can give so eerily lifelike a texture to the skin. The faces were finished with a brushing of violet powder which provided the inimitable bloom to the baby cheek. Alas the bloom has generally faded: wax dolls are the most delicate and vulnerable of the race.

Wax dolls were a field in which English doll-makers excelled. Strangely, in spite of our great ceramic tradition, when it came to the more durable china dolls, this country could never compete with the French and German makers. When World War One cut off the German market, the Board of Trade told the Staffordshire potteries to undertake the manufacture of doll parts; but in spite of successes by firms like W. H. Goss the results were generally undistinguished and the effort did not outlast the war.

Even the collectable Princess Elizabeth dolls, portraying the present Queen in 1930, were imported from the German firm of Schoenau and Hoffmeister.

Wednesday's doll parade at Sothebys is mainly made up of bisque dolls, exemplifying the achievement of some of the finest continental makers, like Simon and Halbig, Kammer and Reinhardt and Armand Marseille of Germany and Casimir Bru and Jumeau of France.

There is an awesome expertise attached to doll collecting, with technical terms like "wired," "fixed," "intaglio," "googli" and "flirting" applied to eyes, and "open-closed," "pouty," "bee-sting" and "water-melon" describing different categories of mouth. The final test, though, is really the degree of portraiture, character and feeling implied in the heads.

The best of them can be astonishingly lifelike and touching. In general the German taste was for appealing, soulful little faces. They clearly went for emotion: Sothebys have one German boy baby whose face is permanently fixed in an expression of crying misery—a demoralising object for the nursery, one might suppose.

French dolls tended to be tougher and more chic. The dolls of Leon Casimir Bru and his son—who produced costly dolls in Paris in the last quarter of the 19th century and were celebrated as the sole producers of bee-sting lips—have the insolent charm of miniature courtesans. Sothebys expect Wednesday's top price for a seductive Bru redhead, whose worn but stylish apricot silk dress conceals a bisque bosom and a label on her tummy threatening action against counterfeiters.

Another highly rated French doll in the sale (the estimate of £4-600 printed in the catalogue is an error: a nought has dropped off the end) is a pedlar doll, rare for the prettiness of her bisque head and the plenitude of her stock-in-trade. Her basket of wares includes not only pumps, pins, pen-knives, lorgnettes, ear-rings, pin-cushions and playing cards, but also several smaller dolls.

Alas, where there are riches, there is also usually villainy. Collectors have long needed to be wary of fake Bru dolls; and now there is apparently a growing industry in the much easier business of faking teddy bears. Collectors should also take warning that there are well-equipped burglars with a specialist knowledge of fine dolls.

Janet Marsh

CHESS

NIGEL SHORT, 20, is in contention for another major success this weekend at the category 12 Wijk aan Zee international in Holland. Short, who a few months ago became Britain's first world title candidate, took a clear lead at Wijk with three opening round wins, including a 76-move endgame victory over Hubner of West Germany, world No 8.

At half-way Short went further ahead with 6/8, followed by Ljubojevic (Yugoslavia) and van der Wiel (Holland) 5. Established grandmasters like Hubner, US No 1 Yasser Seirawan, and Chernin of the USSR were well behind. Another young British player Julian Hodgson, 22, beat Seirawan.

The traditional Wijk event has been sponsored by Hoogovens, the steelmakers, ever since 1938. A few years ago the tournament's continuance was in danger due to the parent company's many lossmaking years, but Hoogovens was among the first European steelmakers to profit from the latest economic upturn, and its investment and rationalisation programme achieved a return to profit in 1984 and 1985.

Its chess congress has benefited with the introduction of a second grandmaster group enabling talented young Dutch experts to compete against established GMs.

In the latest world rankings Nigel Short, with 2,585 points, is joint No 3 in Britain (after Miles), joint No 6 in the West and joint No 16 in the world. his imminent advance to the level of super-grandmasters rated 2,600 and above looks assured, and beyond that his target is to become a credible challenger to the Russians in the next series of title eliminators.

Victory at Wijk would be his first major international win and thus a significant step forward. If you are curious whether Short makes it and you can cope with results in Dutch, try the tournament answering machine tonight or tomorrow at 010 31 2517 4480.

Short's third round win over an experienced Dutch master showed a novel twist in one of the oldest chess gambits.

White: H. Ree (Netherlands). Black: N. D. Short (England). King's Gambit (Wijk aan Zee 1986).

1 P-K4, P-K4; 2 P-KB4, P-Q4; 3 PxQP, P-QB3. Normal here is 3...P-K5.

4 QPxP, NxP; 5 B-N5.

If 5 PxP? Q-R5 ch or if 5 N-KB3, P-K5. Possibly 5 N-QB3 is best.

5...PxP; 6 N-KB3, B-Q3; 7 P-Q4, N-K2.

The subtlety of Short's plan lies in comparison with the established move sequence 1 P-K4, P-K4; 2 P-KB4, PxP; 3 N-KB3, P-Q4; 4 PxP, N-KB3; 5 B-N5 ch, P-B3; 6 PxP, NxP; 7 P-Q4, B-Q3 when 8 Q-K2 ch! is best for White.

By masking his decision whether to accept or decline the gambit and by delaying development of his KN, Short gains a flexible formation and avoids the awkward queen check.

8 0-0, 0-0; 9 N-R3, B-KN5!

Black is more concerned to establish a solid centre than to accept the offer of BxN breaking up the Q-side pawns.

10 N-B4, B-B2; 11 P-B3, N-Q4; 12 Q-Q3, P-B3; 13 BxN? This exchange only helps Black; better B-R4-B2.

13...PxB; 14 B-Q2, Q-Q2; 15 KR-K1, P-N4; 16 P-N4, QR-K1; 17 RxR, RxR; 18 R-K1, RxR ch; 19 NxR, K-N2; 20 N-R5.

Trying for pressure against the QBP, White accentuates his own passive dark square centre structure (Ps at QB3/Q4, B behind the pawn chain).

20...BxN; 21 PxB, N-B2; 22 P-B4, B-B4!

Accurately timed, before White can get in B-B3, 23 Q-QB3, N-K3; 24 N-B3, B-K5!

Suddenly, without doing anything obviously wrong, White is lost. With the fall of the QP the game is decided.

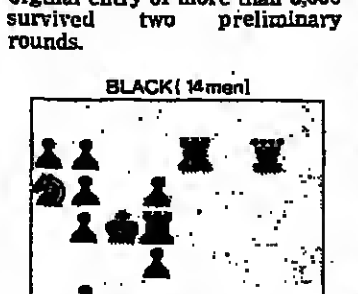
25 P-Q5, PxP; 26 N-Q4, PxP; 27 NxN ch, QxN; 28 Q-Q4, P-QR3; 29 B-B3, K-N3; 30 P-KR3, B-Q4; 31 K-R2, Q-K5! 32 Resigns.

A final neat touch; if 32 QxP ch, K-R4 when White is out of checks and cannot stop mate; while 32 QxQ is a lost ending.

PROBLEM No. 605

White to play; how can he draw (by Sir Jeremy Morse, End Game magazine 1984)? Sir Jeremy, a noted problem composer, is chairman of Lloyds Bank whose annual British solving championship reaches its final this afternoon at the Grosvenor Hotel, London. Only a dozen competitors from an orginal entry of more than 3,000 survived two preliminary rounds.

BLACK (14 men)



WHITE (2 men)

Solution Page XIX

Leonard Barden

BRIDGE

IN MY first hand from rubber bridge the declarer failed to make his contract, because he did not explore every avenue. North dealt at a love score:

N
♠ 10 8 7 3
♡ A
◇ A Q J 9 7
♣ Q J 6

W
♠ 9 4 2
♡ K 5 3
◇ 4
♣ K 9 5 4 3 2

E
♠ A K J 6 5
♡ 7
◇ K 8 3
♣ A 10 8 7

S
♠ Q
♡ Q J 10 9 8 6 4 2
◇ 10 6 5 2
♣ —

North opened with one diamond, East overcalled with one spade, and South's four hearts silenced the oratory. West led the diamond four, an obvious singleton, the declarer won with dummy's Ace, and took stock. He had one loser in spades, one in diamonds, and he would probably have to concede a trick to the trump King.

The problem facing him was: how could West be prevented from ruffing a diamond? He studied the position for some time, but inspiration was lacking. He cashed the trump Ace on the table, returned the club six, on which East played the Ace and ruffed in hand. The Queen of hearts was taken by the King, and West led a spade to his partner's King. East cashed his diamond King, and led his last diamond for West to ruff. One down.

The declarer missed a great chance. Unless East has both Ace and King of clubs, the contract can be made by a deferred Scissors Coup. At trick two he should return dummy's club Queen. East covers with his Ace, and South ruffs. Now he crosses to the trump Ace, and returns the club Knave. When East plays low, success is at hand—the declarer discards his spade Queen. West makes the King, but he cannot get East in for the diamond ruff. South loses one heart, one diamond, and one club.

In the next hand the declarer played with great skill:

N
♠ A J 9 7
♡ 9 5 4
◇ 10 8 7
♣ K 8 6

W
♠ Q 8 6 3 2
♡ 7
◇ K 9 6 5 3
♣ 10 3

E
♠ K 10
♡ 10 3 2
◇ A J 4 2
♣ Q J 9 2

S
♠ 5 4
♡ A K Q J 8 6
◇ Q
♣ A 7 5 4

With East-West vulnerable, South dealt and bid one heart. North replied with one spade, and raised the opener's rebid of three hearts to four.

West led the spade three, the Ace won, and South drew one round of trumps with the Ace. He then played the four of clubs, ducking in dummy, and the nine won. East cashed the spade King, followed by the diamond Ace, and another diamond was ruffed in hand. The declarer cashed the heart King, and West showed out. His first chance, an even break in trumps, was gone. He played a club to dummy's King, and returned a club, hoping for a 3—3 break, but that suit, too, proved unkind. However, as the opponent with the third trump had also the fourth club, South was able to ruff his last club on the table without any danger.

Notice the declarer's beautiful timing, all made possible by that early duck in clubs, which was the key to the whole hand.

E. P. C. Cotter

Wine

Bubble trouble

THE ALARM in Champagne last summer has to a large extent subsided. It had been caused by the devastating winter frosts. The full damage has yet to be determined, but at least 2,000 hectares of vines out of a total of 25,000 have been destroyed, and will not come into production again for another three or four years. More vines, weakened, but not immediately killed, may die off prematurely.

The spring weather had been very poor, with frosts damaging the young buds.

The sudden change for the better was occasioned by the exceptionally hot, dry September and October. In the two months 400 hours of sunshine were recorded, compared with an average of 180 hours, and a pre-vintage crop estimate of 110m bottles turned into a total of 150m by the time the grapes were pressed at the end of October.

However, since the ex-cellars sales of champagne in the previous 12 months had totalled 198m bottles, there was still a deficit of 50m bottles. Fortunately, the record 1983 crop —well over double this year's —had led to the equivalent of 75m bottles being set aside in the form of still wine without appellation for just such a shortage as this.

This surplus was now bottled and given the champagne appellation.

Unfortunately for the champagne drinker, the Champenois have a system of fixing the price for the grapes a week or two before the vintage. As the agreement was made on an estimated crop much smaller than turned out, the growers were able to establish a 27 per cent increase for the top villages, from FFr 18.07 to FFr 23.08 a kilo.

Not all growers did well out varied greatly. Some vinyards, particularly in the far-distant Aube, were almost wiped out, but others, particularly those which produced the white Chardonnay grapes on the Côtes des Blancs, south of Epernay, did very well indeed.

The result is, of course, that champagne prices must rise to 10 to 15 per cent higher than a year ago; and the pound is at least 10 per cent down too. Those with celebrations ahead or who afford themselves the occasional luxury of champagne as an aperitif, will be well advised to buy now.

The merchants in Champagne expect a drop in sales this year, with not even the predicted victory of the right in the March elections expected to boost the home market. And the last big price increases in 1982, had a marked depressing effect on sales.

Merchants will tend to limit their sales, for while there is no overall shortage, the growers are keeping stock back primarily for tax reasons, but also hoping for higher prices. These they may not secure, for the quality of the grower-made champagne may not attract the merchants. What is certain is that the period of cheap champagnes created by the huge 1982 and 1983 vintages may be at an end. Buyers of supermarket own brand champagnes might take note.

Meanwhile, growers and merchants are thinking hard about the 1986 vintage. With no more reserve stocks to call on, a big vintage will be badly

There has been a certain *frisson* on the Marne over the unexpected abolition by the EEC agricultural ministers of the right of sparkling wine producers to use the term "méthode champenoise" for wines fermented in bottle, rather than by the cheaper processes of injecting the sparkle into vats of still wine, or pumping bottle-fermented wine into vats under pressure.

The decision was announced in November and will take effect just before the next vintage but with an eight-year changeover period. The French claim it was the result of ten years' study on the labelling of EEC sparkling wines, but the producers of Spanish sparkling wine, 91 per cent of which is "méthode champenoise," may be forgiven for suspecting that it is more than a co-incidence that this should have been done just a few weeks before Spain entered the Common Market.

The Spanish are also displeased with the British Government, which, in the interests of protecting "British sherry," treated them abysmally last year by not supporting their true sherry appellation. Now Britain has agreed to the Champagne move, on the grounds, apparently that it will protect British-made sparkling wines made from concentrated grape juice. It might be thought that it is rather the consumers who need protection.

The interdiction of course harms the 25 per cent of non-champagne sparkling wine made in France, notably Saumur, which produces 13m carry "méthode champenoise" places them above the flood of *vins mousseux* and justifies their higher price. To put instead "fermented in bottle" or "classical method" hardly carries the same weight. Yet, although some of the Saumurois are very upset about this, those Champagne houses with interests in the Loire, including Bollinger and Taittinger, support the change.

To some extent the move is defensive on Champagne's part. While their output is limited by the regulated area, sparkling wine production throughout the world is soaring. That Australia, Canada and the US can still call their domestically-made sparklers champagne (although the better ones do not) is a constant source of complaint. Anything that could mislead people into believing that a sparkling wine produced elsewhere is the real thing is a threat.

There is no real fear of the Spanish "Cava" (méthode champenoise) wines now attempting to compete with champagne in France and Britain where they have not been very successful. In the US they outsell champagne by 15m to 13m bottles a year, but of course the EEC regulations do not apply there.

Edmund Penning-Rowsell

Lucia van der Post

HOW TO SPEND IT

All ship shape and bristle fashion

Winners by a whisker

I HAD always thought shaving was quite a simple business—a bit like brushing one's teeth, but rather more time-consuming. I am obviously a slow learner, really only suitable for the remedial class. It has taken me all these years to cotton onto the fact that it is a deeply mysterious ritual, very private, almost sacred. One of my colleagues clearly felt Simone de Beauvoir had got it about right when she described it as a ritual akin to a daily castration. Clearly all this goes very deep and you tamper with it at your peril.

This must all be very disappointing news for Aramis, the masculine arm so to speak, of the Estee Lauder empire, which has spent many years and goodness knows how many thousands of dollars on developing what it proudly presents as its "latest concept in shaving technology," Shave-plexx Calming Shave Cream.

This, I felt sure, needed investigating. After all, in the course of an average lifetime a man will spend 3,300 hours (or nearly 150 days out of his life) removing approximately 28 ft of whiskers from his face. It hardly bears thinking about.

Research done in the US reveals that 95 per cent of men over the age of 16 shave every day and a good percentage do it twice a day (seven-eighths of them, if you are interested and Aramis certainly is, prefer a wet shave to an electric one). It is, as Aramis puts it, "a captive audience by cultural necessity." No wonder it decided to take the whole matter very seriously.

It decided not to look at products that would rid men of all facial hair permanently (daily facial shaving, its researches revealed, is perceived as being reinforcing to the male ego, a daily affirmation of masculinity) and 97 per cent of men questioned would not use a product designed to deal with the matter once and for all.

None the less, most men, it appears, agree that shaving is a traumatic experience. After all, he has to pull some of the sharpest instruments devised by man across his face every morning and sometimes twice a day. Often it hurts. Aramis decided the path to go along was to develop something that would eliminate the pain.

This meant the search for a product that would glide (some men complained of razor drag), that softened the beard and set it up properly for the razor while cushioning the skin as much as possible. Finally, it wanted to devise something that would eliminate the post-shave tightness that many men complain of.

With Shave-plexx, Aramis believes it has found the answer. What, though, could Shave-plexx (at £7.50 a tube) really do for all those men out there suffering from these *dreadful daily traumas?* I gave three "guineapigs" a tube to try.

The person currently looking after the Weekend FT was conscripted. "I have a built-in prejudice against Aramis," he said. "They are the frightful people who waylay you when you make a quick trip to Harrods, and try to persuade you to buy things you don't want. I tried the new shaving cream reluctantly. It is very effective, and gets to the parts that soaps don't reach. You can tell that from the fall-out. But it is not made for the male conservative who has stuck to the brush and bowl approach, even though Yardley's bowls are no longer wooden. Aramis gets the psychology wrong, but they do try harder."

After trying it for a bit longer, he came to the conclusion that it is really rather good. Being made to think about methods of shaving, he says, was an interesting diversion from other subjects.

Anthony Curtis, literary editor, has this to say. "I am a lather and brush man. I enjoy the slap and tickle effect. Hence a brushless cream like this is not for me. I need something that will not only help me shake off dull sloth in the morning but also soften up my exceptionally tough beard. Lather creams like Palmolive or Ingrams do this perfectly well; the more expensive Old Spice is not noticeably better at the job though it has a pleasant scent. If I want to treat myself to a really posh cream, I splash out on a pot of the special preparation made by Geo. Trumper of Curzon Street, Mayfair. I use the one known as Ivory, but men with medium or soft beards may prefer the Amber or Violet. All three yield a satisfyingly rich lather without interminable wrist-work."

His son, Charles, aged 22, gives a younger man's viewpoint. "As a man who normally shaves with a cheap foam I am perhaps not the best judge. Having used the cream twice, I must admit that I do not think that I experienced a revolution in wet shaving. Nevertheless, Aramis provides a refreshing and easy (in terms of 'razor-drag") shave."

Colin de la Rue, a solicitor in his early 30s, does not regard shaving in an overly mystical light. He sees it as more of a "functional task for which a relatively modest outlay will do." Normally he uses an aerosol can of Rapid Shave (69p).

"I think it does give a smoother and closer shave," he reports, "provided one is using a relatively sharp new razor. Its consistency is much firmer than foam (which rinses away with relative ease) and I found that even with the lightest application, the cream still tended to clog up the works quite quickly. The process is then, of course, a fairly irritable scrape. In fairness, I was using a twin-bladed razor which may have been more prone to this problem than other weapons, and I am experimenting with other types of razor, in the hope of overcoming this problem. Readers will judge from this that the quality of better shaves has at least moved me to persevere. I hope this will be rewarded, though I am not yet convinced that I should mend my existing ways."

So there you have it. Men seem on the whole to be a deeply conservative lot and getting them to change their time-honoured rituals is uphill work.

However, Aramis is so convinced that Shave-plexx is a real breakthrough in what it calls "shaving options" that it is offering a (nearly) free shave to any man visiting its grooming and advice centre in Selfridge's Beauty Playground between Monday February 3 and Saturday February 15. When I say nearly free, it is because there is an appointment fee of £5 (ring Selfridge's on 01-629 1234 ext 3849 for a *booking*). For this you will get a Shave-plexx shave, a limited fitness assessment (this will be carried out by a team from 'Fitness for Industry') and advice on all those delicate "grooming" matters. You know the sort of thing—what to do about the toughness of your beard (did you know that beard hair is as strong as a copper wire of the same diameter?), about razor rash and general signs of wear and tear. The £5 is redeemable against any Aramis purchase.

During the same period readers out of London may go along to any store with an Aramis counter and get the same grooming advice and free shave (but not the fitness assessment).

The Gary Cooper touch: sleek chic

Pick of the slicks comes back

I KNEW nostalgia was the *mood* of the moment. I knew the groomed and well-kept look was in. But Brylcream? That thick, white stuff beloved of real men in the days when they had not even heard of quiche, when they wore tweeds and smelled of nothing fancier than tobacco and looked their best in uniform? Could it really be staging a come-back?

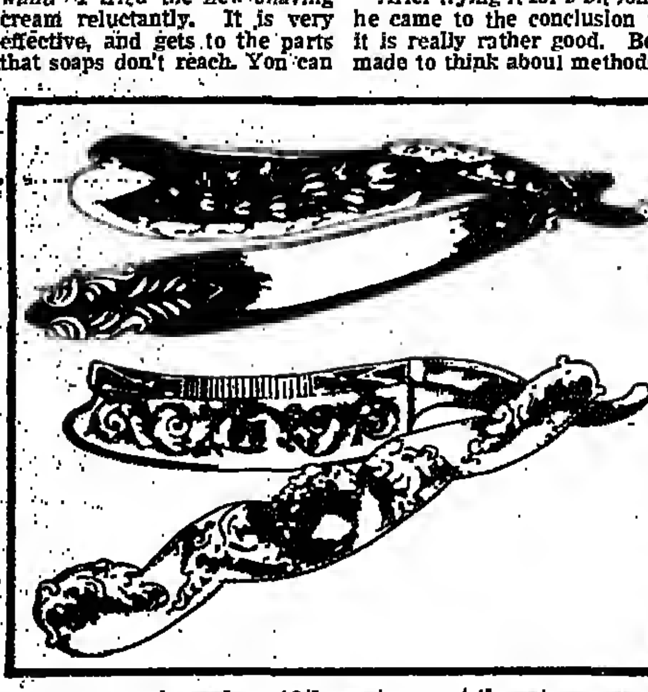
It could indeed. Way back at its peak, in the '50s and very early '60s, it was selling at the rate of 100 million pots a year. That was the age of the teen-ager, of Bill Haley rocking around the clock, of Denis Compton hitting sixes at Lords and bowling everybody over with his slicked back hair, of cow-licks gleamingly held in place by that indispensable goo.

It was the Beatles and all that flowing hair that nearly did Brylcream in. It never quite died. That little white pot with the red and white label and black top bung on in there, gathering dust on the back shelves of Boots. Today, though, it is restored to its rightful place—right in the centre of grooming aids for men.

Not, of course, for many men who remember it first time round. It is mainly the new cult product of the under 30s, for whom it is a great new wheeze. It goes with the fad for smarter, slicker clothes, for a ritzier, more glamorous image, for a look that is groomed and careful, redolent of the potent charm of the matinee idol.

The original cream, made to the formulation first devised by Wilfred Hill in 1928, today sells at 89p a tub. A dab here, a rub there and you, too, can look like Denis Compton.

Meantime, the smart money is moving into dry-cleaning, washing-powders, sofa covers and anti macassars.



The cutting edge: 18th century cut-throat razors

Famous lotions and potions

James Ferguson

WHEN IT comes to the props essential to the daily *ritual* of "the shave" most men seem to find comfort and reassurance in tradition. And of all the companies specialising in the more fragrant side of masculine life, Geo F. Trumper must be the most comforting. There it lies, seemingly unchanged since the days when Edwardian aristocrats and young bloods found their way to its mahogany counters. Many of its famous lotions and potions are still made today to formulas dating from Queen Victoria's reign when Mr Trumper was awarded the Royal Appointment.

All this may make you feel a little nervous about entering its portals. Worry not. Many of its prices are nothing like so fancy as those of many a trendier establishment. A haircut and shampoo is £10, a shave starts at £5. Only Geo Trumper's own formulations are used and many a customer has become addicted to the Trumper way to start the day.

Extract of Limes is possibly its most famous after-shave — famous like this newspaper, for its pinkness. It is the extract you will be splashed with after the Trumper shave. But there are plenty of other beautifully packaged and reassuringly unTrendy looking lotions to meet almost every masculine grooming requirement.

Sketched here is a group of Trumper's wares. The black wet pack is made from soft black calf's leather, fully lined and waterproofed, it has three zip-up pockets, is 13 ins long and 10 ins wide and costs £51.50. It can be posted for £2.50 extra.

Top right is the Curzon after-shave, £8.75 for 4 oz, £15 for 8 oz (p+p £1.50 per bottle). Below it on the right is a pale pink ceramic pot of shaving cream. In almond, rose or violet a 7 oz pot is £13.50 (p+p £2).

The brush and comb set are in ebony (for the brush) and horn (the comb). £55.70 (p+p £1.50).

Just below the wet-pack is one of the few modern designs to hold a candle to traditional ones — a beautifully crafted polished chrome shaving set of bowl, brush and razor. £53.10 (P+p £2.50) from Oggetti, 100 Jermyn Street, London W1.

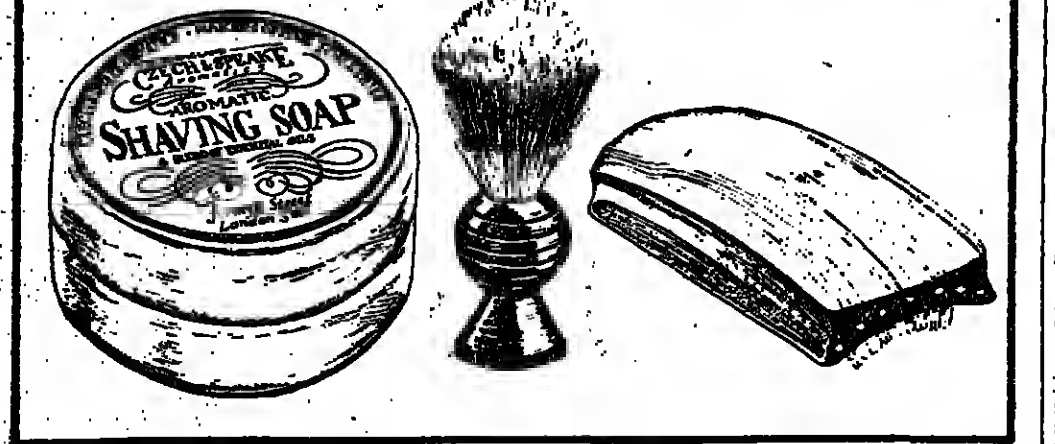
IF YOU prefer a more modern approach to potions and lotions but love classic designs and an old-fashioned regard for standards and quality, take a look at the Czech & Speake collection of fine toiletries. Seductively packaged in a restrained but elegant combination of black and grey, the range includes aromatic shaving soaps made from a blend of essential oils, gels and masks, as well as the latest frankincense and myrrh. Its products, to be seen on some of the most discriminating bath-shelves are not cheap but they are distinguished.

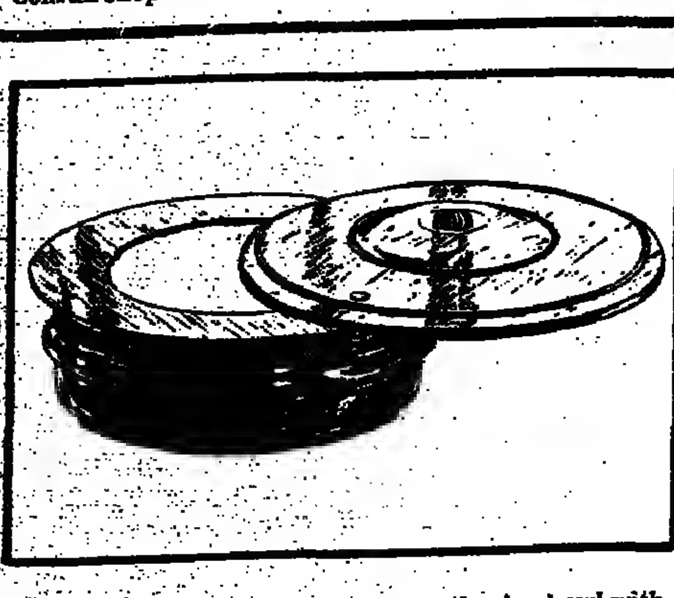
Buy from the shop at 39c Jermyn Street, London SW1 or through selected up-market stores (the Conran shop in the Fulham Road has a good selection).

Sketched here is a finely wrought shaving brush with a black anodised handle and grey badger bristles. £29.50 (p+p £4).

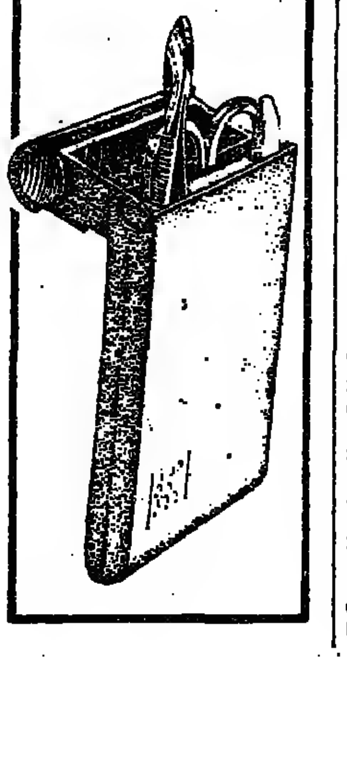
A pale satinwood nailbrush with very firm natural bristles costs £27.50. It is 3in long, 1¼in wide, £27.50 (p+p £4).

The reassuringly sturdy ceramic pot, rather like the ones that contain Patum Peperium, holds some of Czech & Speake's aromatic shaving soap. It is made from a blend of essential oils, smelling of lavender, peppermint or violet and costs £19.50 (p+p £2).





A BEAUTIFULLY carved mahogany shaving bowl with soap by "Royal Yacht," and a lid to keep it covered. £19.25 (p+p £2) from Eximious, 10 West Halkin Street, London SW1, a company which specialises in exceedingly elegant personal accessories of all kinds.



OGGETTI (famous as one of the centres of the matt black cult) of 133 Fulham Road, London SW6 and 100 Jermyn Street, London W1 has some of the most desirable of modern designs around. Sketched here is a matt black (what else?) manicure set holding scissors, tweezers and nail files. It packs beautifully flat and measures 11 cm by 6 cm and costs £10.40 (£2.50 p+p). A fine present for a travelling man.

Cookery

Ay, but to dye...

SOME FOOD additives have nutritional or preservative properties. Colourants are purely cosmetic. In other words, food is dyed with the aim of making it look better, and sales would plummet if colourants were omitted—or so the story has gone until recently.

It has now become clear that some of the artificial colourants used in food processing have quite serious adverse effects on some people, in particular on some children.

The azo dye Brown FK (154), which is used to colour most of the kippers and smoked mackerel on sale in this country, falls into this group of "baddies." Given that these dyes are harmful to some people

and, being purely cosmetic, are unnecessary to all, the idea of getting rid of them seems very desirable.

Taking up cudgels on behalf of their readers, The Guild of Food Writers (which represents some 50 of Britain's food and cookery writers) recently wrote to all major grocery stores in this country to express the concern, of consumers; specifically inquiring about the stores' plans, if any, to offer kippers and smoked mackerel free of Brown FK.

The good news is that all the stores seem to be in the process of removing—or planning to remove—Brown FK and other azo dyes from at least some if not all of their smoked fish products.

Amongst those apparently committed to eliminating Brown FK entirely are Waitrose, Sainsbury, and Marks & Spencer. Waitrose and M & S fish products should be Brown FK-free already. Sainsbury says: "allowing for residual branch stocks, we should be clear of Brown FK by March."

Smoked fish that is free of Brown FK is, of course, fish free of artificial colourant. This is a great step forward. But do not be misled into thinking that a product described as "free of artificial colourant" is free of colour additive. In most cases, fish products that were previously coloured with artificial dyes will now be coloured with vegetable dye instead. Annatto, a brown vegetable dye (natural), is being used to replace the chemical dye (artificial) Brown FK.

Annatto may be harmless compared to Brown FK. But the question remains: why bother to use colour additives at all? The pale biscuity colour that smoke gives to a herring in the kippering process may be a little variable, but it is not unattractive. Why the need to tart it up?

According to Safeway, fish industry research shows that "59 per cent of the population prefer the present colouring," this is, mahogany-coloured kippers. It is really true that average British shoppers recognise a kipper as a kipper only if it is dyed the colour of mahogany? Likewise, will they only buy smoked haddock if it is blazoned the colour of buttercups, orange drinks only if they are stained a shade of Dayelo orange, and tinned peas only if they are tinted bright green?

I find it hard to believe. But if it is true, then surely the reason is that shoppers have been treated like children. They have had little or no opportunity to see or to buy the real thing.

Instead of being told the facts and being offered a choice, instead of being encouraged to make up our own minds, we have been spoonfed the garish solution.

The time has now come, *surely*, for shoppers to be shown things as they really are; to realise that foods painted in crude primary colours are fake; and to recognise that "real" foods are much more subtlely-coloured, and more varied.

Two of our most upmarket grocery stores, Waitrose and Sainsbury, are leading the way to enlightment. Not only are they abandoning the contentious chemical Brown FK, but they will offer a choice of smoked mackerel and kipper products coloured with the vegetable dye annatto. Furthermore, they will offer smoked mackerel and kippers which contain *no dyes at all*—neither chemical nor natural colourants.

The undyed ranges will initially be quite small. They will be offered on a trial basis in a limited number of stores. I shall be rushing out to ask for these products in my local branches; if necessary, I shall travel further afield to buy them. I hope that other shoppers will do the same thing.

For it is only by showing our support for undyed products that their availability will become more widespread. Eventually, one hopes they will become the norm rather than the exception.

Philippa Davenport

• BOOKS •

Naming the Bard

SHAKESPEARE'S LOST PLAY: EDMUND IRONSIDE
by Eric Sams. Fourth Estate. £25.00. 383 pages

ERIC SAMS, the professional civil servant who became a musicologist to reckon with—witness his study of Schumann's ciphers—now turns to literature. He wants to establish that Edmund Ironside, a chronicle play about the pre-Conquest English fighting the Vikings under Canute, is an early venture by Shakespeare. So naturally he compares the anonymous and undated Ironside with things that are known to be young Shakespeare's.

Some of this undertaking must be pronounced valueless. Mr Sams takes a clutch of six early efforts (Titus Andronicus, the Henry VI trilogy, the two Richard plays) and catalogues 'motifs' common to them and Ironside. In it and them, as he records, "blows are contrasted with words," "laughter is feigned," "tears are salt," "flatterers are evil and traitorous."

His citing of verbal parallels is often just as empty. "Madam, pleaseth it you to be a queen?" in Ironside is bracketed with "Speak, Queen of Goths, dost thou applaud my choice?" in Titus Andronicus and with "How say you madam? are ye so content?" in the first part of Henry VI. And so on. Such things pervade the book and are not, I ask you to believe, the fruit of malicious searching for weaknesses.

At a more general and technical level there are also grave faults. In the jungly world of bad quartos, Sams speaks of the memorising and reporting of plays as a hypothesis. It is not a hypothesis, it is a fact. And he goes on to say that if the memorial reconstruction of plays were proved, the "main achievement" of this proof would be "to render the early quartos worthless." And that is not true either.

Firmly set against these shortcomings is the interest of the area which the book inhabits, and, more specifically, the big challenging question which Mr Sams asks us to consider. Building on E. B. Everitt's The Young Shakespeare of 1954, he presents one case where the relationship between Shakespeare's work and Ironside is by no means vague and unconvincing. That is Titus Andronicus. It is not so much the exact correspondences like "Hebuca of Troy ran mad for sorrow" and "never-heard-of torturing rain" as an accumulation of family likenesses, not merely verbal but evident in plot, image, overall dramaturgy and tone.

Then isn't the case proved? Isn't this a situation in which one swallow does make a summer? If Shakespeare wrote Titus Andronicus—which he did—must be not also have written Ironside?

Not necessarily. And in suggesting why not the matter of dates becomes important. Mr Sams argues for an early dating of Titus (around 1589), and an even earlier one (around 1588) of Ironside. He presents Titus, as a kind of re-run of Ironside, and marshalling the impressive array of similarities between the two plays, he concludes succinctly: "either Shakespeare plagiarised Ironside or he wrote it."

But suppose a later date for Ironside is right. This happens to be the orthodox view, but that doesn't prove it wrong any more than all professors must be stupid by virtue of being professors. And suppose Ironside was written in the early or mid 1590s by a deservedly obscure playwright who knew Titus, who was indeed a bit of a plagiarist, who thought he had here a formula for box-office success.

This, it might be argued, is to substitute a less likely for a more likely guess. Shakespeare's early career is very badly documented. There is an apprenticeship to account for in the years preceding Greene's "upstart crow" attack on him. If Shakespeare didn't write Ironside, who did?

To reply that we simply do not know is less feeble than it sounds in an age of many lost and anonymous plays, and of playwrights who have disappeared without or almost without trace. But it boils down finally to quality.

While the man who wrote Ironside must, I am persuaded, have known Titus, he couldn't catch the uncatchable, because unteachable, dramatic power of moments like old Andronicus's "When will this fearful slumber have an end?" All Shakespeare's early plays—what Keats called his first blights — have such moments. (His non-dramatic work is a different matter, which is partly why I regard scepticism over the wretched poem recently sponsored by Gary Taylor to be ill-founded.)

These Shakespearean moments need not be tragic or solemn. The Two Gentlemen of Verona is well stocked with rubbish, but it also has the servant heeding over his dog and admonishing him:

> Nay, I remember the trick you served me when I took my leave of Madam Sylvia. Did not I bid thee still mark me and do as I do? When didst thou see me heave up my leg and make water against a gentlewoman's farthingale?

And the man who wrote Ironside could not write that either.

John Jones

Mr Jones is a Fellow of Merton College, Oxford. His most recent book is Dostoevsky (OUP).

Panoramic view of Elizabethan London showing the Globe Theatre and the Bear Pit by Hollar. It is reproduced in R. A. Foakes's "Illustrations of the English Stage 1580-1642" (Scolar Press £35.00)

Fresh light on the air war

VICTORY DENIED: THE RISE OF AIR POWER AND THE DEFEAT OF GERMANY: 1920-1945
by Dudley Saward. Buchan and Enright, £14.95. 376 pages

THE "VICTORY DENIED" of this title is Hitler's — wrested from him, in the author's view, largely by Allied air power. In Europe "war had taken to the air, and that war had been won in the air, denying the Nazis their victory." The Pacific and Japan? "In this theatre too, the war had also been won in the air."

The Allied victory was of course the product of scores of factors, of which at least four were primary and obvious. These were the sustained resistance of the Soviet armies, the vast economic resources of the US and the British Commonwealth and Empire, the maintenance of Allied sea communications with the consequent ability to build up forces where required, and the development of overwhelming Anglo-American air power. These things were interdependent. To proclaim the paramount importance of any one of them while virtually ignoring the rest is to oversimplify history.

Dudley Saward does not, however, labour his contention. He states it specifically only at the end of his book. What occupies the bulk of his pages is a solidly factual account of the rise of German air power under Hitler and the steps taken by Britain, at first slowly but soon with skill and vigour, to counter this and to forge and employ, with triumphant success, an air weapon of her own.

In tracing this story the author's writing is never less than neat and he is well able to present complex issues and large amounts of detail in a readable way. But he seems uncertain about the kind of audience he is addressing. For the most part, his book is a succinct narrative dealing with air matters, but for the pre-war period he has also felt it necessary to include extensive accounts of well-known political events. For the kind of people likely to read this book, one would have thought that a bare reference to Chamberlain's broadcast on the outbreak of war would suffice, and that there would be no need to quote the entire speech.

And what readers has the author in mind when he describes at some length the Italian defeat in Abyssinia in 1896, Hitler's early days, the suppression of Roehm, the to-ings and fro-ings during the Czechoslovakia crisis, the funeral procession of George V, and the abdication of Edward VIII? "Sadly," he writes, "the reign of Edward VIII was to be short-lived, due to his determination to marry an American divorcee, Mrs Wallis Simpson." Such rehearsals of the all-too-familiar can only dull the impact of the less familiar, with which Dudley Saward's book also fortunately abounds.

The main merit of Victory Denied is the reminder it gives us of facts which for the past 20 years have been largely obscured or even rejected outright. As may be expected from the authorised biographer of Sir Arthur Harris, these relate particularly to the achievements from 1942 to 1945 of RAF Bomber Command. Dudley Saward deals faithfully with these, explaining clearly the technical advances which made increasing success possible, and emphasising the Command's wide range of activity. The assault on oil, the preliminary and immediate help to Overlord including the Pas de Calais deception plan, the minelaying, the attacks on warships and submarine yards —the reader will find them all here, as well as the area bombing of German industrial towns which it has become so orthodox to denigrate in general and to fail to assess accurately from the purely military point of view.

Above all, Dudley Saward brings out, by statistics and by reference to the views of German leaders, the vital part which the Anglo-American strategic bombing offensive played in the downfall of Hitler's Reich. Among the statistics, two of the most telling are that by 1944 some 900,000 Germans were tied down to the air defence of their homeland, and that 75 per cent of the production of the versatile 88mm gun had to be devoted to the same purpose—leaving only 25 per cent for the anti-tank and anti-aircraft needs of the German armies in Russia and France.

As for the views, the most striking are probably the considered final opinions of Albert Speer, with whom Dudley Saward had extensive conversations. The assault on Germany from the air, Speer maintained, was the Allies' true Second Front, opened long before the invasion of Normandy; and the failure to defeat it was Germany's greatest lost battle.

Denis Richards

Fiction

Shape of things soon to come

The Nudists
by Guy Bellamy. Secker and Warburg, £9.50. 294 pages

The Last Election
by Pete Davies. André Deutsch, £8.95. 234 pages

Parlour 4 and Other Stories
by J. I. M. Stewart. Gollancz, £8.95. 184 pages

Kara Kush
by Idries Shah. Collins, £10.95. 575 pages

SOMEONE IN The Nudists keeps thinking up titles for unwritten novels: Memoirs of a Streaker, say, or Corpses Don't Cough. Perhaps Guy Bellamy did the same thing before he sat down to write this, his fourth novel, which might offend the Trades Description Act, since for 280 of its 294 pages everyone is dressed. Besides, nudists are surely persistent and convinced practitioners, not mere holidaymakers who take off their clothes to swim in a private pool, tipsy and a bit embarrassed. Once back in England, everyone is dressed as warmly as climate and convention demand.

Bellamy writes fast-moving comedies of modern manners, funny in an engagingly unpretentious way rather than witty or alarmingly clever; his people nicely observed and, in the other sense, nice enough for us to care what happens to them. The Nudists is about the ups and downs of fortune. When we first meet them three of the characters are rich and three poor. By the end (a few months later) things have been credibly reversed; once-almost-destitute Nick is supporting his once-millionaire friend Ben, and Simon, who once felt drably inferior, can buy a Mercedes off the peg.

Quiet pride in his bank balance overcomes shame at his other deficiencies, and an all-round happy ending—Nick to best-sellerdom, Ben to a new business venture, Simon to owning and running a family hotel in Devon, their wives tagging cheerfully along — is persuasive enough.

The Last Election is a highly talented first novel by 25-year-old Pete Davies that gives a terrifying picture of our future selves. Comparisons come to mind—1984, A Clockwork Orange. (More Burgess than Orwell, I think.) The author has worked in a nightclub and in advertising, and uses both experiences to nightmare effect.

In a future London, luridly seen through a drug-induced haze but topographically exact, everything has broken down. Advertisers and entertainers rule. The old—known as "gerries" or "oldies"—are increasingly burdening the rest, therefore increasingly expendable. The young—all, except for advertisers and media people, unemployed—must be kept in check by fun as well as drugs, so Dance Barns are set up to supply both. Ear-splitting palaces of electronic gadgetry and mind-dazzling lights, they provide centres for the footloose, swap-shops for drug-dealers, non-stop frenzies of movement and pop.

Snake-charmers, fire eaters, jugglers, clowns and acrobats fight for attention in side shows, and on dozens of channels television presenters play with lives, politics and public opinion. The Money Party is in power; the Prime Minister is called Nanny; the police are all-powerful; hospitals are plague-pits; technology can work wonders but cannot halt decay. Above all there are drugs—painkillers and consciousness-raisers, pills to put down the gerries, others to hype the dancers, others to get people through the day (or night), drugs with or without drink, in veins or stomachs, in hospitals or high-rises.

The close-knit writing, the spare though exuberant style, the exhausting action, the Jacobean horrors in most modern of disguises, all combine to great ghoulish effect. Are we (one almost thinks) heading this way? Certainly Pete Davies is heading somewhere. After cramming so much into the first novel, one wonders where.

Parlour 4 contains 9 short stories by J. I. M. Stewart. Some are set in a remembered childhood — a boy misjudges parents, a situation, the value of a jewel; others in donnish or near-donnish country. In "The Dyslexia Factor" Oxford is struck by a plague which makes people "word-blind," unable to read. In "Napier into ffinch" a family changes its name for, it is presumed, financial reasons, and its daughter suddenly seems eligible to neighbouring parents. In "Tom, Dick and Harry" there is a psychological uproar over adoption.

"You mean that the unfortunate Napiers have been constrained to change their name to ffinch because it has been made a condition of their coming into property?" a wife in a supposedly realistic story asks her husband. Or, in a foray among the lower orders, there is the comico-patronising patois: "As bad as that Goering and his Luftwaffy," says Mrs Thimble, Plumstead plumber's wife, after a gas explosion.

Psychologically and even technically the stories do not always ring true. Would loving and not idiot parents today hide from a child the knowledge that he was adopted, knowing he must be told at 18? And why is Oxford struck by word-blindness, then as suddenly cured (the realism of this fantasy fails to work)? And so on, disappointingly.

Kara Kush is a first novel by Idries Shah, long and alas blockbusting. I say alas because the subject is important and passionately believed in—the occupation of Afghanistan by Soviet troops, the Afghan fight to defeat them. The author is totally committed to his theme and country. But as a novel it is nothing; its characters wooden, its propaganda ineptly handled, even events and dates confusing. Kara Kush, meaning Eagle, is the name given to the partisan leader. A large cast supports him, Russian atrocities are revealed, one sympathises with the cause but cannot praise the novel that embodies it.

Isabel Quigly

Guy Bellamy: comedy of manners

Sir Ernst Chain: the controversial research scientist whose life is told in the book reviewed below

Scientist finds wonder drug

THE LIFE OF ERNST CHAIN: PENICILLIN AND BEYOND
by Ronald W. Clark
Weidenfeld and Nicolson, £14.95, 217 pages

SO CLOSELY is the discovery of penicillin identified in the public mind with Alexander Fleming—who even has a pub in Paddington named after him—that we are apt to forget that two other men shared the 1945 Nobel Prize for medicine with him for the discovery. Fleming found the microbe itself, in 1929. Howard Florey, an Oxford professor, demonstrated its wondrous therapeutic powers a decade later.

Ernst Chain, a flamboyant German-born Jew who joined Florey in Oxford in 1934, was the one who worked out how penicillin could be made and purified, and so made available to medicine a truly miraculous drug.

Later this "temperamental Continental," as he called himself, went on to develop the family of semi-synthetic penicillins on which Beecham built its ethical drug business and has sustained it to this day.

"Chain was not what Dr Johnson would have called a clubbable man," writes Ronald Clark in his latest biography of the greats of British science. Chemistry was his abiding passion—although music ran second—and in Oxford Chain continued to study the way snake-venom worked. It was his belief that such a dramatic effect must be explicable as a chemical or biochemical reaction; and so it proved to be.

This stimulated his interest in enzymes—natural catalysts—some of which could also produce dramatic biological effects. One was lysozyme, also a discovery of Fleming, but which had failed to sustain the remarkable promise of his initial observations. Lysozyme led Chain to penicillin, the mould which a few years before had "almost certainly floated up from the room of a colleague on a lower floor," to kill off a colony of Fleming's microbes.

But penicillin had been discovered in a laboratory at St Mary's Hospital, Paddington, where the climate of scientific opinion was not propitious to further development. What drew the Oxford researchers to the discovery was not the lure of a "miracle drug" but simply curiosity about a fascinating, unexplained phenomenon. What finally focused those efforts was something as mundane as a cash crisis in Oxford when Chain was told to spend nothing more, not even on "a piece of glass rod."

The Americans came to the rescue with funds "on a scale they had never known before," which enabled Chain first to demonstrate what a potent antibiotic they were studying, then ways of harvesting it in useful amounts. Sadly, the period was marred by Chain's feelings that Florey was treating the unclubbable emigré badly.

In 1948 he left Oxford for Rome, but first buried the hatchet with Florey in a letter which talked of ending an episode "which has been rich in elating emotions such as very few people are privileged to experience." He was off to the Instituto Superiore di Sanita, a lavish new laboratory of the Italian Government. Over the next six years he built an international reputation in what nowadays is known as biotechnology. It led to a meeting in London with H. G. Lazell, Beecham's chairman, who found in Chain "that spirit of enterprise and initiative which gave British industry its leading position in the world but which one, unfortunately, rarely encounters here."

Lazell wished to diversify beyond over-the-counter medicines. During the war he had made penicillin-impregnated pastilles for RAF doctors. Beecham seconded scientists to work in Rome with Chain, to begin the pursuit of the novel penicillins of more specific potency and, later, with the ability to sidestep the problems when microbes develop resistance to an antibiotic.

Beecham legend — but not Clark's kindly biography — has it that this effervescent period in the life of Ernst Chain was financed from the profits of Lucozade.

David Fishlock

Ideas in play

RELIGION AND PUBLIC DOCTRINE IN MODERN ENGLAND VOLUME II: Assaults
by Maurice Cowling. Cambridge U.P. £30.00 (or with volume I, £40.00) 371 pages

IN VOLUME one Mr Cowling discussed those thinkers to whom, as he put it, he was related intellectually. They were a pretty mixed bag, including A. N. Whitehead, Arnold Toynbee, T. S. Eliot, R. G. Collingwood, Dom David Knowles, Winston Churchill and the Third Marquess of Salisbury. Through his summaries of the thought of these people and a great many more, some not widely known outside Cambridge, Mr Cowling aimed to arrive at an understanding of Christian belief not merely as a matter of personal faith but as "public doctrine."

From now on Cowling the author will "evaporate," he says. This new book will chart the assaults on Christianity from those with whom he feels no blood-ties in the development of his own outlook; assaults from Mill and George Eliot, from Frazer and Havelock Ellis, from Winwood Reade and Bertrand Russell. It will then trace the counter-assaults from an equally diverse range of sources, Chesterton, Belloc, Christopher Dawson and Father Coplestone among them. For the main study of the Christian counter-attack we shall have, though, to wait until the appearance of volume three scheduled "for publication c. 1988-90."

In this second volume we have a substantial section on the Tractarian Movement and one on Newman around the time of his conversion, after which Mr Cowling is mainly concerned with what he calls "types of ethical earnestness" in people who tried to liberate themselves from the Christian indoctrination they had undergone in their youth and to work out some alternative.

Whether or not the author has indeed evaporated (as he claims), his method remains the same as in volume one, an admirable succinctness, most refreshing in these days of over-long biographies. Mr Cowling puts each of his thinkers through the hoops in, at most, a couple of dozen pages, and cracks his whip pretty smartly as they are made to leap around the ring. Imagine this method applied to writers as voluminous as T. H. Huxley, Herbert Spencer, Morley, Ruskin or Bernard Shaw. Nonetheless it works wonders in concentrating the mind on the salient points. Gilbert Murray on whom Mr Cowling puts a spotlight in the course of his perfomance wrote enough books to sink a punt on the Cherwell. Mr Cowling boils them all down to the concept of "Hellenism" and what precisely Murray meant by it.

The book is exhilarating reading even if finally it does not seem to be getting anywhere. If it has a centre it lies in the notion of Positivism (man as the measure of all things) introduced into England by Frederic Harrison after his encounter in Paris with Auguste Comte and the complicated routes by which it pollinated other minds.

Anthony Curtis

Many loud Hallelujahs

AND THE GLORY
by R. A. Edwards, W. S. Maney (Leeds), £11, 180 pages

OLDER THAN any surviving professional orchestra, older than any of its London choral counterparts, the Huddersfield Choral Society well deserves a commemorative volume on reaching the age of 150.

Handel's Messiah (from which the book rather lamely takes its title) has been a feature of the choir's work for many decades—but a tradition that such performances have been annual since the foundation is punctured by the author. Mr Edwards has a true historian's unwillingness to take his predecessors' statements on trust. It is this attitude, along with his interest in social and financial as well as musical matters, that makes the present volume recommendable beyond the choir's circle of local admirers.

Arthur Jacobs

• ARTS •

Music

Speculations on time and space

BUSONI THE COMPOSER
By Antony Beaumont. Faber and Faber, £35.00. 408 pages

OLIVIER MESSIAEN AND THE MUSIC OF TIME
By Paul Griffiths. Faber and Faber, £17.50. 274 pages

OF ALL the significant composers who straddled the closing years of the last century and the opening years of the present one, it is Busoni who remains most shrouded in mystery. In almost every detail of his biography and compositional character, he exposes an extraordinarily fascinating double aspect, an ambiguity that was partly inherited and partly developed — perhaps even cultivated.

Son of an Italian musician father and a German mother, he was born in Tuscany, spent his earliest years in Italy (including a spell in that most nationally ambiguous of Italian cities, Trieste), and never lost what he insisted was an essentially Latin temperament and outlook. Yet most of his nomad existence was thereafter spent in German-speaking lands; and certainly his development as a composer was "in every phase a product of German cultural experience.

He was a piano prodigy who became one of the most influential and important virtuosos in the history of the instrument; but although piano music accounts for a sizeable quantity of his compositions—"Respect the Pianoforte!" is a famous exhortation in his *New Aesthetic of Music*—it is as infinitely more than a "pianist-composer" that Busoni deserves attention. An early explorer in the realms of atonality (and admirer, with reservations, of Schoenberg, who returned the compliment in similar fashion), he never lost touch with the inspiration provided by a child-like, and authentically Mediterranean, pleasure in bell sounds, feast-day parades, and folk melodies.

One might fairly claim that it is in a single, crucial paradox—the incomplete state of the opera, *Doktor Faust*, laboured over for so many years and quite clearly intended to serve as a vast, final, all-inclusive Busoni compendium—that the mystery becomes most fascinatingly adumbrated. (Its composer once declared that operas ought to be written but perhaps never performed; and, as Robert Henderson suggested when reviewing the 1980 BBC concert performance, "be might well have been predicting the fate of his own operatic masterpiece".)

Antony Beaumont, whose *Busoni the Composer* proves to be one of the most passionately committed and most valuable musical studies of recent years, is an English author-conductor, resident in Germany, who first came to notice in these columns as architect of a *Doktor Faust* score newly completed from sketches and other previously unexamined material (this was here reviewed, after its Bologna showing, by William Weaver). Now the English National Opera is very shortly to perform the work in Mr Beaumont's edition; altogether, the publication of this book, a labour of love in every sense, could not have been better timed.

In his foreword Beaumont has expressly admitted his original intention of supplying a companion and complement to Dent's famous 1933 Busoni biography, which purposely set aside examination of the music. Here, biographical detail is not avoided, but it is compressed in order to fill in the necessary background to the discussion of the music that is the book's main business. First, however, the author sets out with admirable lucidity the ideas, the inspirations (literary, philosophical, and so on), the theoretical treatises that fuel each phrase of his musical progression.

Having laid this groundwork, Beaumont is then in a position to concentrate, in chronological order, on 58 of the 314 pieces in the immaculate catalogue that completes the book. Clarity, percipience, and enthusiasm are here the keynotes. The treatment of the music never becomes so forbiddingly recondite as to deter a reasonably equipped musical amateur; at the same time, it supplies insights that make one impatient to hear again the Busoni one knows, and anxious to discover the Busoni one doesn't. One small point, a comparison offered between the *Berceuse élégiaque*—perhaps Busoni's perfect composition—and the world of Fauré's late, spare song cycles, was for me a particularly happy stimulant to fresh thought. There are plenty of others like it: not surprisingly, the whole matter of *Doktor Faust* is handled with an insider's understanding.

If, indeed, the book has a fault, it is one easily forgiven. For all the individual atmosphere that memorably clings to certain of Busoni's most surely-achieved works, one often comes to feel elsewhere a discrepancy between the lofty ambitions, the quirkily crowded and complex imaginative schemes and intentions, and the slight sense of let-down caused by the actual product. Of such over-long, overwrought works as the Piano Concerto, Beaumont is a gentle, forgiving advocate. But because he is a uniquely knowledgeable one, I warm to his advocacy even where I cannot fully subscribe to it.

The Messiaen study, coming simultaneously from the same stable, provides revealing material for contrasts and comparisons—though unfortunately the proximity works entirely to Paul Griffiths's disadvantage. Busoni and Messiaen are, in very different fashion and to very different end, two of music's great explorers: speculators in musical time and space. And, while previous Messiaen monographs in English may have preceded this latest, there was at least a comparable need for an exhaustive one.

But while the Busoni book simply *had* to be written—every page declares the necessity—no such commitment can be detected in the Messiaen. Its author has already dealt with Boulez, Cage, Maxwell Davies, Ligeti, Stravinsky, and Bartok, and will no doubt go on until all the main figures of 20th-century music have been ticked off. All his books have been marked by cool detachment from their subject as a basic authorial stance. In the case of Messiaen—a Catholic composer unique among the most innovative 20th century masters in inspiring immoderate fervours even in his non-Catholic listeners—the mode of approach becomes positively bizarre, and, in the end, simply uninteresting.

Olivier Messiaen, one of music's great explorers

There is no lack of scientific examination here (the passages of close musical analysis, being of quite ludicrous, directionless aridity for the uninitiated reader, will no doubt simply be skipped, which can hardly have been the author's wish).

A connecting theme—the tracing of "the presence of the eternal within the temporal" in the Messiaen oeuvre, of the new ways of experiencing time proposed therein—seems to be indicated, yet its potential interest and value are defeated by the extraordinary flatness of the book in the face of the music itself.

There are some characteristically glib Griffiths sentences along the way (along with uncharacteristic moments of clumsy expression, and once or twice of bad grammar, suggesting hasty, unrevised production). But what he *feels* about Messiaen's music I have not the faintest notion.

Max Loppert

Radio

Reeling to the songs of Burns

SATURDAY night was Burns Night, but if you lived in England the radio would have given you no reminder of it. I've only once been to a Burns Night party. I got drunk, and I couldn't do the dances, and perhaps this is the way that Radio 2, 3 and 4 imagine the festival.

But Radio Scotland celebrated the occasion with one of the most delightful programmes for weeks, *The Miller's Reel*, put together by Donald Campbell from Burns's songs and extracts from his letters. The progress of a love story between a young man and a young woman is told by the songs, most of them new to me, pleasantly sung by Jean Redpath and Rod Paterson. Though they were charmingly accompanied by small instrumental ensembles, the feeling was more of the living-room than the concert-hall, and the short connecting readings from the letters were tender and humorous. David Hyman and Phyllis Logan were the readers, Serge Hovey arranged the music, and the producer was Dave Batchelor. Quite a revelation, this was.

It took away my appetite for the Saturday Night thriller, Teresa Collard's *Campari for the Fishes*. This gave the impression, with its fast, mobile and improbable action, of having been hastily adapted from a novel. Clare (Elizabeth Bell) was searching, like a lay detective, for her ex-boyfriend, missing for two years and then found to be involved (I say no more than that) in drug-smuggling. The production, better than it deserved, and in stereo, was by Christopher Venning.

Jude the Obscure is the new Sunday classic serial, and it began very well. A great amount was condensed in the first of six parts, from 11-year-old Jude's conversation with his schoolmaster Phillotson, just off to Christminster, as far as *his own* impending departure for Christminster, which he hopes to be full of "excellent people." During this period he has taught himself, unaided, from old textbooks, to read Latin and Greek—even to scan Latin verses, unless that was sheer luck. He has also been seduced by Arabella and married her when she pretended pregnancy. Michael Pennington manages to make Jude's very unconversational English convincing. So much happens in Hardy's book that it is an ideal subject for a serial of this *kind*. Brian Miller directs, and this too is in stereo.

Most pantomimes will be over by now—phenomena like the Palladium pantomimes that went on until the spring have died out—and this is a good time for Radio 4 to have launched its series explaining why pantomime is as it is, and how it became so. The "traditional" English pantomime is incomprehensible even to Americans, who share our language, and while we may still have the pattern in our minds from Christmas time, its eccentricities are ripe for investigation. Gerald Frow's seven-part *Oh Yes, It Is!* began on Monday with John Rich at Covent Garden and Lincoln's Inn Fields, and very interesting it was, with a narrative read by Richard Briers. It did little to explain why Robinson Crusoe should be a woman, or the Dame a man; but there are six more programmes to come, and I hope they'll be as interesting as this one, which dealt with Harlequin, not commonly seen in pantomime these days, more in the ballet.

I don't mean to write about all of Radio 4's *Pillars of Society*, but I was anxious to hear Thursday's programme by Robert Carvel about the Bishops. With plenty of interventions from the Bishops and others, he aroused many points that I found unexpectedly interesting. The Bishops all felt a duty to be "involved" which leads them into heavy overwork, and for which they are certainly underpaid; but how often do we feel concerned with them?

Many questions were raised that one felt needed longer discussion — the manner of appointment, the function of the Synod, involvement with politics, and much more. Robert Carvel, a Presbyterian, was properly neutral; he could not be deep, but he was crisp and even, and left me feeling that we should know as much about Bishops as we do about MPs.

B. A. Young

Solution to Chess No. 605

1 Q—B3 ch, PxQ ch; 2 K—R3, P—N5 ch; 3 K—R4, P—N5 ch; 4 K—R5, P—N3 ch; 5 KxN, any; 6 stalemate.

Theatre

Lean Broadway's poor pickings

WITH DICKENS, Coward and Frayn propping up yet another lacklustre Broadway season, Colin Welland's Oscar Awards ceremony cry of "The British are coming" remains as pertinent as ever—if applied to the transatlantic traffic of our stages. Even the wretched *Corpse!*, a thriller in imitation of *Sleuth* seen in London two years ago, is welcomed on to Broadway's undernourished stages. But there is a disapointing look of purchases made not because of their quality but because they lend themselves to cheap repackaging and attractive casting.

There are exceptions. *The Mystery of Edwin Drood*, which originated in Central Park last summer, has moved indoors to the Imperial resulting in a tightened and more vibrant portrayal of the unfinished Dickens novel. Cleo Laine, Patti Cohenour and Jerome Dempsey defer to the bright face and playful asides of George Rose, around whom writer Rupert Holmes and director Wilford Leach have fashioned what is so far the musical of the season.

Brian Murray, who played the director last season in *Noises Off*, turns his apprenticeship to good effect as the director of a revival of *Hay Fever* at the Music Box. With the hilarious Deborah Rush as the ingenue. Murray emphasises the farce elements, sacrilege to some but an effective weapon in the accumulating sarcasm directed at the bickering Bliss family. The perfectly poised Judith Bliss of Rosemary Harris is well matched to Roy Dotrice as her husband.

Michael Blakemore, the director of *Noises Off*, has less material to work with himself in Michael Frayn's latest play *Benefactors* at the Brooks Atkinson. The admirably high-minded theme has little relevance to American social issues: the architect's dilemma in displacing people to put up public housing reveals a conscience which would have been lost long ago working for American property developers. Had the south London setting of the original been kept the play might have had some curiosity value here. Instead its dramatic shortcomings are emphasised: it fails to get beyond the private life of the well-meaning architect while leaving the big blow-ups and conflicts to verbose second-hand descriptions. The American cast is led by Glenn Close with a deflated Mary Beth Hurt and Sam Waterston who confuses well-meaning blandness for middle-class values.

Roy Dotrice and Rosemary Harris in "Hay Fever"

The assumption that Americans will be aroused by other people's social concerns is closer to the mark in *Blood Knot* at the John Golden, a revival after a quarter of a century of the play that established Athol Fugard as the dramatic conscience of South Africa. With the original cast of the author and Zakes Mokae, the production plays into America's suddenly-discovered concern about South Africa with the story of inherent conflict between two black brothers, one of whom can pass for white.

Fugard originally discovered Mokae as a jazz musician and turned him into an actor; the best scenes of the play have a feeling of improvisation where the two men intersect, sometimes without words, in an interplay of moods.

Frank Lipsius

Saleroom

Hatcher's hoard of Chinese junk

AUSTRALIAN millionaire Captain Hatcher, who made his fortune salvaging tin from wrecks in Far Eastern seas, caused a stir in the auction houses in 1983 when he discovered the remnants of a mid-17th century Chinese trading ship which had sunk in the South China Sea. The vessel was laden with a cargo of blue and white late Ming porcelain destined mainly for the Chinese communities in the Indies, but also, in part, for Europe.

Along with the blue and white was some blanc de Chine porcelain of a type which had previously been dated to a generation or so later. When the contents of the wreck were sold at Christie's in Amsterdam in four sales, stretching from 1983-85, the market was forced to absorb the most extensive ever flood of new blue and white (which it did with aplomb) and wrestle with academic controversy over the items of blanc de Chine.

Now Hatcher has found another wreck, this time a European merchantman which was also lost near the Chinese coast around 1750 with a cargo of 18th century Chinese export porcelain for the European market. Hatcher's team has brought to the surface almost 150,000 items, mostly porcelain but including 126 bars of Chinese gold.

Christie's is organising a sale of the find in Amsterdam from April 28 to May 2. It will be the most extensive auction of Chinese works of art ever held, with Chinese export porcelain available on a scale not known since the 18th century when European seaports witnessed the unloading of porcelain from the east which went in the form of vast armorial services into the households of the aristocracy and, in the shape of everyday utensils, into the homes of the poor.

With such a vast hoard, prices will be extraordinarily low. Indeed Christie's, doubtful whether the dealers can absorb such quantities, is pitching the auction at the general public.

The sale is being divided into *3,000* lots. Some *will* consist of complete sets of plates, bowls, tureens, cups and so on in quantities to service 144 guests at a sitting—collections which it is hoped that embassies and large corporations will compete for. The 2,000 plates of nine inches diameter that were recovered will be split into quite small lots of a dozen or so plates, with estimates of around £25 a plate. In all there are 50 complete dinner services for sale.

The cargo included 50,000 sets of tea bowls and saucers which will be divided up into lots of varying quantities, some consisting of 1,000 items but with prices ranging down to £5 for an individual set. Among the other eminently collectible items are drinking mugs, in three different sizes; soup tureens; butter dishes; and chamber pots, many of which are of a small size and were presumably for children. The Chinese porcelain which gave so many 18th century European families their first experience of gracious living is available, again at affordable prices.

The cargo was packed in cheap tea for protection and has survived its two centuries on the sea bed surprisingly well. The glaze is good, although the enamelling of crests on certain items has been lost. Obviously there is a risk in offering such vast quantities at one mammoth sale, especially in a market where the keenest collectors are Americans and where the strength of the dollar against European currencies is the main factor in determining *demands*. Christie's hopes that its big marketing exercise, which includes a video of the marine excavation, will make not only existing collectors of Chinese export porcelain but also a new public anxious to lay hands on some "Hatcher china."

Christie's faces difficulties in forecasting prices of the porcelain at auction—it is disposing of, in one sale, more Chinese artifacts than normally it auctions off in a year. But if the experience of the earlier Hatcher sale is a precedent, prices will be above estimate, and demand will be keen.

Christie's made some mistakes with the earlier find which it is anxious to avoid this time. Initially it was given only *a few pieces of Ming* blue and white to sell and did not disclose the source. As a result, there was some suspicion as to its origins. Then it came clean, with two large auctions, and dealers wondered if there was any more lurking in the vaults. In the event, a few dealers, notably Axel Vervoord of Antwerp, Elizabeth Gertz of Dallas and David Howard of London, *seized the opportunity* of acquiring vast quantities of blue and white cheaply. For the first time collectors could decorate rooms with serried ranks of blue and white in the style of the Dutch palaces, and indeed Hampton Court, in the late 17th century. The competition between the far-sighted dealers kept prices high.

This time Christie's has brought everything into the open. It hopes that Americans will flock to Amsterdam and that dealers will appreciate that a broader market, even if at slightly lower prices, is best for the trade in the long term.

Bernini busts the V & A

The Victoria & Albert Museum has failed in its efforts to buy the "Castle Howard" bust by the 17th-century sculptor Bernini. It was a portrait of Archbishop dal Pozzo of Pisa and has been at Castle Howard since 1715.

The family was forced to sell to meet estate duties following the death of George Howard and offered the bust to the V & A at a net price of around £3m. But with heritage organisations, like the National Heritage Memorial Fund, short of cash the V & A was unable to put together a package to ensure that the bust stays in the UK.

Timothy Clifford, of the National Gallery of Scotland, may now mount a campaign to acquire the Bernini, approaching those generous patrons who supported his unsuccessful efforts to retain Mantegna's "Adoration of the Magi" in the UK.

Antony Thorncroft

Records

Richter's scales of flawed perfection

SCHUBERT: WINTERREISE. Peter Schreier, Sviatoslav Richter. (two-disc album) Philips 416 194-1.

DVORAK: PIANO QUINTETS IN A. Op 5 and op 81. Borodin Quartet, Sviatoslav Richter (two-disc album) Philips 412 429-1.

GLENN GOULD hated playing in front of an audience, and regarded the whole business of public concert-giving as unacceptably hazardous and imperfect, "take-twoless" as he called it, and fraught with danger; the recording studio was the only concert environment in which he could come near to achieving his aims, unthreatened, uninterrupted. Sviatoslav Richter, by contrast, grew to mistrust the recording studio, finding it a cold and unsympathetic place in which to practise an essentially intimate, communicative art, its products artificially frozen in time, uncreative, unchanging, unspontaneous.

Both of these extreme views found characteristically decisive solutions. Gould abandoned the public stage entirely, and devoted the rest of his career exclusively to making records, each one as it emerged a further testimony to his obsessive search for perfection. Richter, on the other hand, has refused to enter a recording studio since the mid-1970s, and issues records only of his live performances, audience and background noise, fluffs, wrong notes and all.

Peter Schreier's fascinating, unsettling new record of *Winterreise*, accompanied by Richter, was recorded live at the Semper-Oper in Dresden in February last year; and I wonder if perhaps it may illustrate a significant flaw in Richter's otherwise unimpeachable preference? Technically, of course, the two performers are finely matched, each as commanding as the other in his control of the medium and the music. Schreier's voice is a marvel of flexibility, delicately shaded, exquisitely tuned; the diction is faultless. But the very scale and emphasis of his interpretation, clearly employed on this public occasion to project an intimate chamber work such as *Winterreise* into the lofty spaces of an opera house, has an intensity and a relentlessness that are much less acceptable and far less effective translated out of their original context and heard from a distance of a few feet on the record-player at home.

At such close quarters, indeed, Schreier's relentless search for expressive nuance in every measure, almost in every note, at first so vivid and arresting, proves quickly overwhelming—the heroic cast of the reading, the very wringing pathos of its biggest climaxes, seem better suited to the Wagnerian stage than a Schubert song-cycle. The tempos of the faster songs are sometimes unusually fast, and of the slower songs sometimes memorably slow. The opening song of the cycle, "Gute Nacht," seems set to achieve the marvellous timeless stillness of one of Richter's solo Schubert adagios—and so perhaps it might, if Schreier had not introduced quite so many expressive ritardandi at the ends of phrases, just tipping the balance.

The effect of Richter's accompaniments is by and large to redress the expressive imbalance. "Gefrorene Tränen," for example, pressed so hard by Schreier, finds its equilibrium again in the wonderful nonchalant irony of the final piano cadences. Those songs such as "Auf dem Flusse" and "Rückblick" which call for the lightest (and thus in effect the most expressive and chilling) emphasis are kept afloat, where Schreier weighs them down, by Richter's masterly restraint. Richter's six bars of piano introduction to "Einsamkeit" set a scene of perfect *tempo giusto* desolation, wrenched out of joint by Schreier at his first entry, and driven by him to a frenetic and heroically Siegfriedian climax—wonderfully impressive in its way, but in a *chamber* context bewilderingly wrong.

"Einsamkeit" is only the twelfth of the 24 songs of *Winterreise*, but it is at about that point that the sensibility is overwhelmed and exhaustion finally sets in. I eventually managed to finish listening to the third and fourth record sides by attempting to cut out Schreier's exquisite bombast entirely, and concentrating instead on the many deft beauties of the accompaniment—the delicate rumblings of "Im Dorfe," the perfect cantabile voice-leading of "Der Wegweiser," the chorale-like organ-tones of "Das Wirtshaus," the ghostly timbres, half bell, half reed, of "Der Leiermann."

Dvorak's two piano quintets, both in A major, stand at either end of his career. Op. 5 dates from 1872, at a time when Dvorak was beginning to free himself from the weighty influence of Wagner, but still seeking to establish his own, original voice. He discarded the score, but returned to revise it 15 years later, in the same year that he produced an entirely new work (op. 81) for the same forces in the same key.

The early quintet is less even, and as a whole less striking, than the later — but all the same contains plenty of surprising invention. The sudden quiet interludes of the first movement, a murmur of instrumental voices heard from afar, presage the lovely *Dumka* of the later quintet op 81. The hymn-like andante is introduced by the piano, into whose organ texture the strings magically insinuate themselves before winding the melody by slow degrees, to a heady climax. The finale is plainer stuff, woven with some quite daring harmonic gestures.

Op 81 is a substantial work, nearly twice the length of op 5, unfolded with the ease and confident pungency that are the hallmarks of the finest Dvorak. The second-movement *Dumka* especially, in which ethereal musing alternates with wild dance, is one of Dvorak's most splendid and original chamber creations. The Borodin account with Richter, recorded live at the Prague Festival in June 1982, must have been one of the re-formed ensemble's earliest public engagements with violins Valentin Berlinksy and Dmitri Shebalin; and the remarkable quality of the new group is already firmly established.

The sparky scherzo, framing its little "Furiant" trio, is *spun off* by the *strings* with splendid knife-edge bounce; the finale, with its insistent Beethovenian echoes, is driven forward with irrepressible momentum. The warmth and sparkle of this performance — as well as the clarity of its articulation—are in many ways a revelation: I have heard Dvorak's late piano quintet played maybe half a dozen times by different ensembles, but never esteemed or enjoyed it half as much.

Dominic Gill

WEEKEND FT

WENDY VYE travels to the elegant Yorkshire spa town of Harrogate today, talent spotting for the World Cup. Sophie Cullen, Ann McGinn, Linda Tobin and several others are already certainties for the trip, but Ms Vye needs a squad of 16 girls to go to Philadelphia in June.

There is that other World Cup in Mexico, of course, but Ms Vye's interest is lacrosse. She is chairman of England selectors; she will watch the English divisional championships at Harrogate with the keen eye of a Bobby Robson in a similar hot seat at Wembley.

If I were giving odds, I would say that England's women lacrosse players are in with a better chance of snatching a world trophy than our soccer players in Mexico. Ms Vye is not over-confident—the United States team holds the cup—but lacrosse experts feel that one of the other five competing nations, England, Scotland, Wales, Canada or Australia, may upset the triumphant American team this year.

Ms Vye accepts that lacrosse is one of sport's Cinderellas. She reflects upon the lack of media coverage, the problems of finding sponsors for a game

Alan Forrest watches a world class English lacrosse team

No feather beds for the ladies

unexposed on TV. To the average sports fan lacrosse lacks, or seems to lack the drama, colour and action of the more popular team ball games.

Girls who go to Philadelphia to play will not be feather-bedded like soccer stars. Even with fringe sponsorship—some help with air travel, for example—each girl may have to spend about £300 out of her own pocket for the privilege of showing the flag in Pennsylvania. They are all amateurs, many of them physical education students and teachers living a hard professional life while keeping up their lacrosse to international standards.

Lacrosse has had a most respectable development in Britain. It even gets a mention in Queen Victoria's diary. She watched a game at Windsor on June 26 1876 between 14 Canadians and 13 Iroquois Indians and reported: "The game was very pretty to watch. It is played with a ball and there is much running." She was touched by the Indians addressing her as "our good Mother," it all reminded her of Longfellow's Hiawatha.

Lacrosse was first played by the Iroquois Indians as a war game. (Present-day players say that it still is.) It is certainly a tough game. Eddie Scrine, a Surrey player of men's lacrosse, talks of a golden rule for beginners: "Elbows, hands and knees," the parts of the body to watch when a team's dirty tricks department is putting the stick in.

Women's lacrosse is a slightly different ball game. The rules forbid the body contact allowed in the men's game. But dashing around with a long hard stick with a net on the end still provides many opportunities for girlish malevolence. One male player says: "We once played a charity match against a women's team and they just about murdered us with their subtle bits of violence."

Some regard it as a game for people who have failed at rugger, soccer, or hockey. Regular players smile tolerantly at this attitude: "Any game where you've got to cope with a hard rubber ball flying around at about 100 mph isn't a soft game," says Scrine. "It's a challenge to skill and team spirit and commitment."

The best teams, in both women's and men's games come from Lancashire and Cheshire. Why this is so is not quite clear, but there have been occasions when a Lancashire team has beaten the whole South region. In the women's championships the North and South teams have dominated, but at Harrogate, this weekend, a surprise may be sprung by the Midlands team which includes several girls just returned in splendid form from a British tour of Australia.

Women's lacrosse, its adherents claim, is a more flowing, exciting and intellectual game than the men's. It moves faster, stoppages are fewer and the girls still play comparatively unprotected; recent developments in the men's game, on the other hand, mean that men players now turn out helmetted and shoulder-padded like an American football team. Scrine says there are signs of "creeping professionalism." He does not imply anything so deplorable as "boot money," only that, in America particularly, the rise of the supercoach, playing lacrosse from the bench, is making the men's game less of a jolly day out.

But Scrine believes the game could be in for a boom, and so does Wendy Vye. "The social side is marvellous," Scrine says, "the kind of friendly after-match atmosphere once associated with rugby." Ms Vye talks of rising interest in the girls' schools.

Meanwhile, the debt to those Canadian Indians is still acknowledged. The top English trophy for the men's game is still called the Iroquois Cup.

Private View

Cameras could make it clearer

IF THE Westland affair has achieved nothing else in the past week it has provided a vivid illustration of the folly of banning television cameras from the House of Commons. The most dramatic and damning examples occurred during Monday's set-piece debate, the worst moments coming at the very start when Neil Kinnock opened for the Opposition.

Admittedly his speech was a poor one, admittedly he made life difficult by beginning with accusations of "dishonesty" which he must have known would cause an outcry, and admittedly the Speaker then exerted too little authority; a lamentable combination of failures. And yet in the impression conveyed to the British electorate via television (the public gallery being somewhat too small for 50 million of us) disaster might so easily have been avoided if only we had been able to see what was happening rather than merely to hear it.

When all the noise and fury of the Chamber in its most excited mood was allowed to pour out of the sound system with only still photographs and artist's caricatures as visual accompaniment, the result was disastrous.

When the Prime Minister started her reply there were frequent interruptions, sometimes from seated members of the Opposition whose voices were audible without the words being clear either on television, or on radio. Then increasingly she began to interrupt herself with phrases such as "No, I will not give way, now" and "I am sorry, I do want to finish this section." Again most viewers were doubtless baffled, especially if they were watching the BBC which offered no explanation. To his credit Peter Sissons on Channel 4 occasionally interjected "Tam Dalyell on his feet again" so that at least those familiar with Parliamentary procedure realised what was happening.

The point is that if the cameras, instead of showing us the traffic pouring round Parliament Square, had been stationed inside the House it would have been fairly clear, even to the uninitiated, what was going on. The volatility of the occasion would still have been obvious but viewers would also have been able to tell that this was not the wild and childish bun-fight which sound alone suggested.

These days, of course, television serves two distinct functions on such occasions. First it covers the event live, in "real time," and then it provides edited coverage—"wrap-ups"—for various news bulletins and more reflective current affairs programmes later in the day. It was noticeable on Monday that while Mrs Thatcher, Michael Heseltine, David Owen and others were heard at length on these later programmes, speaking for themselves and accompanied once again by still photographs, Neil Kinnock's contribution took the less impressive form of reported speech or very brief extracts.

No doubt the low standard of his speech was partly to blame, but I suspect it was the confusing background noise which upset the news editors most, and here again pictures from the House would have saved the day. The way in which the availability of sound without pictures now influences not only the quality of news coverage but — far more important—its contents, could hardly have been foreseen when the present dreadful compromise system of broadcasting Parliament evolved.

Furthermore, and worst of all for the future of Parliamentary democracy, because of the absence of proper footage from inside the House television tends increasingly often to stage miniature versions of the day's debate within its own studios. If these were accurate representations of Westminster's activities all would be well, but far too often what we see is the familiar gallery of TV faces — Roy Hattersley, David Owen, Norman St John-Stevas and so on—who are chosen not so much because they typify feelings in the House but because they can be relied upon to delivery in the artificial surroundings of a studio. Michael Foot, whose

Visible: Heseltine Invisible: Foot

contributions are still very highly regarded inside Parliament, is practically never seen on television nowadays.

Of course television would continue to mount its own political programmes even if the cameras were allowed into the House. However, the longer the cameras are excluded, the more the broadcasters will tend, consciously or not, to promote and concentrate upon their own alternatives. Channel 4's Face The Press (ironically and deplorably under sentence of death) featured the Prime Minister last week, speaking on the day before the Parliamentary debate and looking evasive because she was so intent upon keeping her powder dry. Newsnight on Thursday included interviews with John Nott and Cecil Parkinson whose political contributions have not been among the most important during the Westland affair.

It begins to seem as though the longer the public are prevented from using television to observe their elected representatives at work in Westminster, the more influence will shift away from the Parliamentary cockpit and into the television studios.

Christopher Dunkley

Letter from Lisbon

Short on soap

DISASTER struck seven million Portuguese viewers last Friday. RTP, the national television network, mistakenly screened episode 148 of the marathon Brazilian soap opera, Louco Amor (Mad Love), instead of episode 144.

A presidential election, the chaotic advent of VAT, and hot water heaters that choke themselves into a stupor every three weeks because of the impurities in Lisbon's town gas, paled into insignificance beside that catastrophe.

First, long-suffering families had to munch their VAT-inflated fried fish fingers through 40 minutes of election propaganda—10 minutes for each of the four candidates.

The 14th nightly sighting of ecstatic crowds, gushing personal endorsements and solemn discourses by candidates should have been followed by an eagerly awaited moment: expulsion from a smart Rio de Janeiro flat by nervous Manda, editor of the Social Register, of parasitic Patricia who almost got gullible Guilherme, Manda's millionaire magazine magnate son, to marry her.

That moment opened episode 144. Instead, surprised viewers saw avaricious Agatilde, scheming stepmother of parasitic Patricia, coaxing her craven chief cook and father, Agenor, to do another dastardly deed four episodes on.

RTP is still apologising with a solemnity normally attached to state visits—a measure of the importance of imported soaps, a slow form of drug-free hypnosis that first captivated the Portuguese in 1976 after the undiluted propaganda during the revolution.

A cross between Dickensian realism and Barbara Cartland's breathtaking flower-scented romance, Mad Love has 20 or so episodes to run. For the sake of a public temper strained by three elections in four months, and their accompanying hours of air time for candidates, it is hoped no one mixes up the remainder.

Brazil, not being a member of the EEC, is innocent of the mixed delights of VAT. Portugal was initiated on January 1 when it tiptoed apologetically into the Community without fanfare or festivities.

Since that day, more adventurous providers of goods and services have been having a little fun with bewildered consumers. Some taxi drivers, whose service is VAT-exempt, tried to collect an extra 8 per cent from their passengers. And instead of bringing down prices of cosmetics and other luxuries that carried 60 per cent sales tax and now carry a more modest 30 per cent VAT, some tradespeople added 30 per cent.

Shoppers in the strong-smelling fish market near the Lisbon docks also found themselves charged VAT, although fresh food—fish, meat, fruit and vegetables—is exempt.

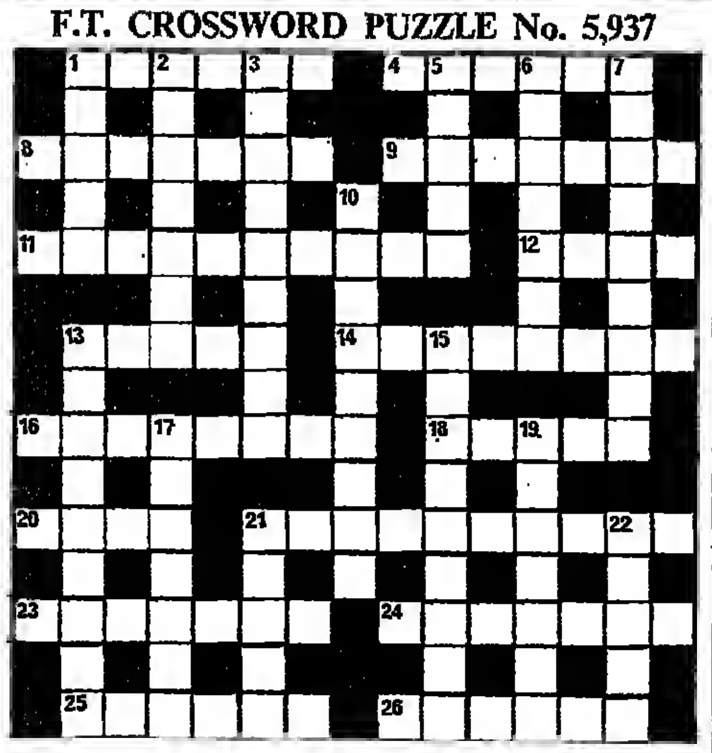
However, only the most heroic shopper argues with a muscular Lisbon fishwife sporting biceps and calves that rival Arnold Schwarzenegger's, and a voice that carries from the docks to Black Horse Square without benefit of loudspeaker. Instead, consumers flock with their complaints to a VAT service set up to help the public and honest traders through the first traumatic months of the new tax.

Some distraught passengers actually believe taxi drivers should pay them to travel in the battered, elderly green and white Mercedes that fling themselves at other vehicles like bulls charging a torero.

Your shoulder has not lived until it has gone into spasm from days of frantic clinging to the safety handle of a Lisbon cab. That is, if you can find a safety handle to cling to; half the time they have been wrenched off by previous, probably equally-frantic, fares. But at least the pain-killers are free of VAT.

Diana Smith

F.T. CROSSWORD PUZZLE No. 5,937



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

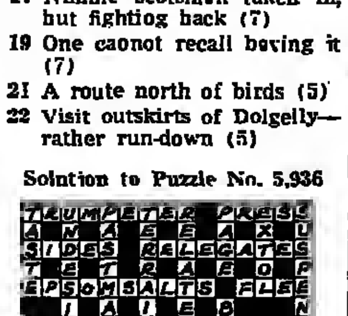
ACROSS

1 Fashionable attempt to embrace ambition (6)
4 Such endless air trouble he had, flying too high (6)
8 Mendelssohn's fourth, the Italian, with novel title—what a plight! (7)
9 Classic year (7)
11 Train speed upsets me—I will walk (10)
12 Name a miniature railway? Never in the country (4)
13 Plant collection offered for sale by America (5)
14 Green tea brewed for a youngster (8)
16 Light fantastic experience? (8)
18 Boat skill (5)
20 Superior to General Kitchener, say (4)
21 For such skill in throwing darts, noise must be controlled (10)
23 Star to look back in tango capital (7)
24 Pattern of earnings includes man, we hear (7)
25 Navigational instrument without top, but still in use (6)
26 Lots of stars slack in camp (6)
15 Mexican dish left in tumble-down hacienda (9)
17 Nimble scotsmen taken in, but fighting back (7)
19 One cannot recall having it (7)
21 A route north of birds (5)
22 Visit outskirts of Dolgelly—rather run-down (5)

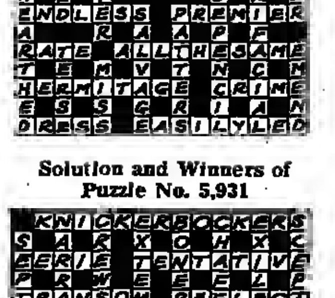
DOWN

1 Thin material for poet's retirement (5)
2 He is one (7)
3 Steam dies away in a small coffee (9)
5 This mound of stones can entomb Irish (5)
6 Domed building, sonorous one (7)
7 But it does not have a cube-root! (5-4)
10 Delivery stamp? (9)
13 Hoe almost broken — how horrible! (9)

Solution to Puzzle No. 5,936



Solution and Winners of Puzzle No. 5,931



Mrs L Astley, Blackpool.

Mr Andrew Eggleston, Alderney, Channel Islands.

Mrs F. Ward, Kingston-on-Thames, Surrey.

Mr D. MacLaghlan, Currie, Edinburgh.

Mr E. W. Timmins, Handsworth Wood, Birmingham.

TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

8.30 am Hunter's Gold. 8.55 Bananaman. 9.00 Saturday Superstore. 12.15 pm Grandstand including 12.45 News; Football Focus; Skiing from Switzerland; Snooker (Benson and Hedges Masters); Rugby Union: Wales v Scotland from Cardiff, and highlights of France v Ireland in Paris; Skating (European Championships) and at 4.40 Final Score classified results. 5.05 News. 5.15 Regional programmes. 5.20 Jim'll Fix It. 6.00 The Noel Edmonds Late Late Breakfast Show. 6.50 Les and Dustin's Laughter Show. 7.25 Strike It Rich!

8.15 The Two Ronnies. 9.05 News and Sport. 9.20 Snooker: The Benson and Hedges Masters (second semi-final). 11.05 European Figure Skating Championships from Copenhagen. †11.30 The Horror Movie: "Blood Beach," John Saxon, David Huffman and Marianna Hill star).

BBC 2

8.40 am Open University. †1.55 pm Film: "Fifth Avenue Girl," starring Ginger Rogers. 3.15 Film: "The First Travelling Saleslady," starring Ginger Rogers, with Carol Channing and Barry Nelson. 4.45 Snooker (further coverage from the Benson and Hedges Masters at Wembley Conference Centre). 9.30 Deutsch Direkt! 9.55 Horizon. The Mould, The Myth and The Microbe. 6.45 Newsview. 7.25 International Pro-Celebrity Golf. Arnold Palmer and Gary Player are joined by Jimmy Tarbuck and Sean Connery. 8.15 Sondheim on Broadway. 9.50 Saturday Review. 10.45-12.55 am Film International: "Clean Slate" (French film with English subtitles).

LONDON

6.55 am TV-am Breakfast Programme. 9.25 No 73. 11.00 Terrahawks. 11.30 Mr Smith. 12.00 News. 12.05 Saint and Greavsie. 12.30 Wrestling. 1.20 Airwolf. 2.15 Benson. 2.45 Ice Skating—European Figure Championships. 4.45 Results Service. 5.00 News. 5.05 Blockbusters. 5.35 The A-Team. 6.30 The Grumbleweeds Show. 7.00 The Price is Right. 8.00 Hunter. 9.00 News and Sport. 9.15 Tales of the Unexpected. 9.45 Aspel and Company. 10.30 LWT News Headlines, followed by "Wallenberg: The Lost Hero," starring Richard Chamberlain. 12.15 am Marlowe—Private Eye. 1.15 Night Thoughts with Dr Stephen Sigger.

CHANNEL 4

1.15 pm Channel 4 Racing from Sandown. †3.20 "Fortune is a Woman," (Jack Hawkins stars). 5.05 Brookside Omnibus. 6.00 Family Ties. 6.30 Unforgettable. 7.00 News Summary, followed by Chinese in Britain. 7.30 Nell and High Water. 8.30 Saturday Live. 10.00 Hill Street Blues. †11.00 "The Old Dark House" (Boris Karloff stars). †12.20 am "Dracula's Daughter."

REGIONS

S4C WALES

1.15 pm Racing from Sandown. 2.15 Rygbi Rhyngwladol: Cymru v Yr Alban. 4.05 World of Animation. †4.20 Feature Film: "The Rake's Progress," starring Rex Harrison with Lilli Kent, Griffith Jones, Lili Palmer and Margaret Johnston. 6.35 How Does Your Garden Grow. 7.05 Hwrlibwrli. 7.30 Newyddion. 7.45 Siumiau. 8.15 Syddin Y Toqr. 8.15 Y Mess Chwaersa. 10.35 Chance in a Million. 11.05 Saturday Live. 12.30 am Brothers.

ANGLIA

IBA Regions as London except at the following times:—

11.30 am The Flying Kiwi. 2.15 pm Small Wonder. 10.30 The Bronson Movie: "The Mechanic." 12.20 am At The End of the Day.

BORDER

11.00 am The Greatest American Hero. 2.15 pm Small Wonder. 5.05 Mind Your Language. 10.30 The Bronson Movie: "The Mechanic."

CENTRAL

11.00 am Ice Skating: European Figure Championships from Copenhagen. 2.15 pm Small Wonder. 5.05 Mind Your Language. 8.00 T. J. Hooker. 10.30 The Bronson Movie: "The Mechanic."

CHANNEL

11.00 am The Greatest American Hero. 11.59 Today's Weather. 2.15 pm Supercar! 10.30 The Bronson Movie: "The Mechanic."

GRAMPIAN

11.30 am The Greatest American Hero. 2.15 pm Small Wonder. 10.30 The Bronson Movie—"The Mechanic." 12.20 am Reflections.

GRANADA

11.05 am The Greatest American Hero. 2.15 pm Mind Your Language. 5.05 Candid Camera. 10.30 Alistair Maclean's "Bear Island," starring Donald Sutherland and Vanessa Redgrave. 12.35 am SS King Live.

HTV

†11.05 am Fireball XL5. 11.30 Captain Scarlet and the Mysterons. 11.58 HTV News. 2.15 Happy Days. 5.05 Mind Your Language. 10.30 The Bronson Movie: "The Mechanic."

SCOTTISH

11.00 am The Glen Michael Cavalcade. 11.45 BFA Short. 2.15 pm Small Wonder. 6.00 T. J. Hooker. 10.30 The Bronson Movie. 12.20 am Late Call.

Lee Remick in "Sondheim on Broadway," BBC-2, 8.15 pm

TSW

5.25 am Fisheries News. 9.35 No. 73. 11.00 Gus Honeybun's Magic Birthdays. 11.03 Freeze Frame. 11.57 TSW News. 2.15 Bullseye. 5.05 Newsport. 6.10 Blockbusters. 10.30 The Bronson Movie: "The Mechanic." 12.20 am Postscript.

TVS

11.00 am The Greatest American Hero. 11.57 TVS Weather. 2.15 pm Supercar! 10.30 The Bronson Movie: "The Mechanic." 12.20 am Company.

TYNE TEES

11.00 am Morning Glory. 11.05 Skating (The European Championships). 2.15 pm Supercar. 5.05 Mind Your Language. 10.30 The Bronson Movie: "The Mechanic." 12.25 am Poet's Corner.

ULSTER

11.00 am The Baron. 11.58 Lunchtime News. 2.15 pm Small Wonder. 5.08 Ulster News. 5.10 Candid Camera. 8.00 T. J. Hooker. 9.13 Ulster News. 10.30 The Bronson Movie: "The Mechanic." 12.20 am News at Bedtime.

YORKSHIRE

11.00 am The Baron. 2.15 pm Small Wonder. 5.05 Ask No Questions. 8.00 T. J. Hooker. 10.30 The Bronson Movie: "The Mechanic."

RADIO

(S) Stereo on VHF

BBC RADIO 2

8.05 am David Jacobs (S). 10.00 Sound of the 60s with Keith Fordyce. 11.00 Album Time (S). 1.00 pm Ken Dodd's Palace of Laughter. 1.30 Sport on 2 including Rugby Union: France v Ireland and Wales v Scotland; Football; Cricket; Snooker and at 5.00 Sports Report. 6.00 Folk on 2. 7.00 Beat the Record. 7.30 An Evening of Popular Classics (S). 9.30 String Sound (S). 10.05 Martin Kelner (S). 12.05 am Night Owls introduced by Dave Gelly (S). 1.00 Jean Challis presents Nightride (S). 3.00-4.00 A Little Night Music (S).

BBC RADIO 3

7.00 am News. 7.05 Aubade (S). 8.00 News. 8.05 Record Review (S). 10.15 Stereo Release (S). 11.45 St Louis Symphony Orchestra (S). (12.25 pm Interval Reading). 1.00 News. 1.05 Paul Crossley piano recital (S). 2.00 Wilhelm Furtwangler. (Mono records featuring the conductor.) 4.00 Mozart and Mendelssohn string quartets (S). 5.00 Jazz Record Requests (S). 5.45 Critics' Forum. 6.35 Music For The Iron Voice (S). 7.30 Englishmen (S). 8.15 "Katya Kabanova," opera by Janacek with Eilene Hannan in the title role, sung in English, Acts 1 and 2 (S). 9.30 Murdering Your Text. 9.50 "Katya Kabanova," Act 3 (S). 10.25 Martino Tirimo (S). 11.00 Music of Catalonia. 11.57-12.00 News.

BBC RADIO 4

7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down to Earth. 7.55 Weather; Travel. 8.00 News. 8.10 Today's Papers. 8.15 Sport on 4. 8.48 Yesterday in Parliament. 8.57 Weather; Travel. 9.00 News. 9.05 Breakaway. 9.50 News Stand. 10.05 The Week in Westminster by Peter Riddell of the Financial Times. 10.30 Loose Ends with Ned Sherrin and studio guests. 11.30 From Our Own Correspondent. 12.00 News; Money Box. 12.27 pm Just A Minute (S). 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News; The Afternoon Play (S). 3.00 News; International Assignment. 3.30 The Saturday Feature: Arts Abroad—Destination Australia. 4.15 Kipling Around The World. 4.45 Persona Grata. 5.00 The Living World. 5.25 Week Ending (S). 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 Soloman Grundy. 6.50 A Sideways Look At . . . by Anthony Smith. 7.05 Stop The Week with Robert Robinson (S). 7.45 Baker's Dozen (S). 8.30 Saturday-Night Theatre (S). 9.58 Weather. 10.00 News. 10.15 Evening Service (S). 10.30 Opinions. 11.00 Science Now. 11.30 In One Ear (S). 12.00-12.15 am News.

SUNDAY

† Indicates programme in black and white

BBC 1

BBC 2

LONDON

CHANNEL 4

REGIONS

S4C WALES

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

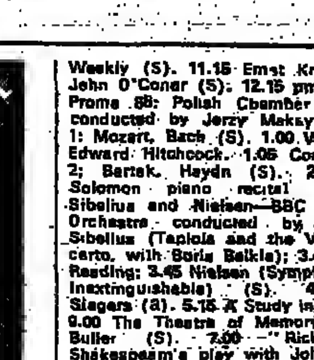
YORKSHIRE

RADIO

BBC RADIO 2

(S) Stereo on VHF

BBC RADIO 3



John Hurt in "Richard II" Radio 3, 7 pm

BBC RADIO 4